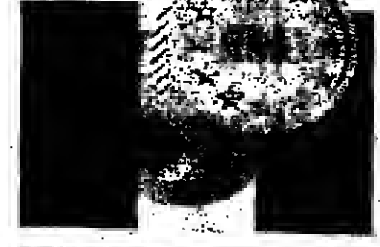


# FINANCIAL TIMES

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**Italy and Emu**  
*Is a miracle in the making?*  
Martin Wolf, Page 12

**Hong Kong**  
*Rival ports close in*  
Page 5



**Cyber-shopping**  
*Intelligent agents squeeze retailers*  
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**Pakistan**  
*More than a family tragedy*  
Page 6

World Business Newspaper <http://www.FT.com> TUESDAY SEPTEMBER 24 1996

## 10 tonnes of IRA explosives seized in London raids

Attacks on British cities by IRA terrorists from Northern Ireland using huge lorry bombs could have been only hours away, police said after raids in London in which 10 tonnes of homemade explosives were seized and an IRA terrorist suspect was killed. The explosives, some packed in boxes and nearly ready for use, were close to 10 times the amount used in the device which devastated Manchester city centre in June. Page 14; End to talk intended, Page 9

**UK accused of abandoning beef deal**  
The British government was accused of blocking European Union efforts to restore confidence in the beef market by abandoning a deal to cull an extra 125,000 cattle in an attempt to eradicate mad cow disease. Page 14

**First-half fall for Peugeot Citroën**  
French car group PSA Peugeot Citroën reported a fall of more than 50 per cent in first-half net income to FF962m (\$118.7m), but was optimistic about second-half prospects. Page 15

**French market to modify rules**  
The French stock market is to modify the rules governing its "nouveau marché" for fast-growing companies. The move is a reaction to intensifying competition from rival European stock markets. Page 15

**Congress party picks Rao's successor**  
India's Congress party elected veteran leader Sitaram Kesri as its provisional president. He replaces former prime minister P.V. Narasimha Rao, who resigned after a court summons in a criminal conspiracy case.

**Murdoch's son to run Australian arm**  
News Ltd, Australian arm of Rupert Murdoch's News Corporation, has appointed Lachlan Murdoch, 24, the media proprietor's son, as managing director. Page 15

**US oil specialists to merge**  
US regional oil refining and retailing specialists Diamond Shamrock and Ultramar are to merge in a move that will link their four refineries and networks of more than 4,000 petrol and convenience store outlets. Page 15

**Qatar to pursue ex-emir**  
The emir of Qatar is to press ahead with worldwide legal actions to recover \$3.5bn of state funds allegedly stolen by his father whom he deposed as leader last year, the Qatar Justice Ministry said. Page 6

**Profits warning from Beresford**  
Shares in Berisford lost almost a third of their value as the kitchen and joinery group warned that UK industrial action and problems in the US would hit profits. Page 15; Lex, Page 20

**China's savings growth slows**  
China's banks were alerted to a sharp fall in the growth of individual savings deposits as Shanghai authorities said tens of billions of yuan had been diverted into the stock market. Page 6

**Daewoo in clutch deal with UK group**  
South Korean industrial and motors group Daewoo is to make automatic clutches for cars under a licensing agreement with UK-based AP Kongsberg Holdings. The deal is expected to be worth \$200m over 10 years. Page 4

**Tokyo aerospace bid may fail**  
Japanese industry officials admitted attempts to create an indigenous world-class aircraft industry may fail. Page 4

**Road films actress Dorothy Lamour dies**  
Dorothy Lamour (left), best-known for her role as the sultry, romantic companion of Bob Hope and Bing Crosby in a string of Road films from 1940 to 1962, died in Hollywood aged 81. Among her more serious films were the 1940 crime melodrama *Johnny Apollo* and the 1945 film *A Medal for Betty*. She played a sloppily dressed housewife who gets murdered in the 1967 film *Creeper*. Page 2

**Prize for Rushdie**  
UK author Salman Rushdie was awarded the European Union's Aristeion Literary prize for his latest novel, *The Moor's Last Sigh*. Mr Rushdie, threatened with death by Iran for an earlier book, shares the Euro20,000 (\$25,400) prize with Christoph Ransmayr from Austria.

**FT.com: the FT web site provides online news, comment and analysis at <http://www.FT.com>**

STOCK MARKET INDICES		GOLD	
New York	10,257.38	New York	383.9
Dow Jones Ind Av	1,067.38	London	381.6
NASDAQ Composite	1,208.78		
Europe and Far East		DOLLAR	
FTSE 100	3,918.7	New York	1.5225
Nikkei	14,100	London	1.5122
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NEWS: EUROPE

Business travellers find route round the rules

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Almost half Europe's business travellers confess to bending the rules of their company's travel policy, even though more than 80 per cent of them also think that the travel policy serves a useful purpose.

Only a quarter of travellers say they do not agree with the company's travel policy, while 42 per cent go ahead and quietly bend the rules.

Travellers may dream of reading novels but most end up working

Dutch travellers said travelling economy class was unpopular. One executive complained of having to travel on a middle seat in economy class overnight to New York from London, surrounded by screaming children and having to work the next day.

Almost two-thirds of business travellers are expected to fly economy class and many are compelled to travel in their own time, according to the survey by Marketing Centre, the Bonn month-based research consultancy, which questioned 1,000 business travellers in nine European countries.

Travel policies are most strictly enforced in British companies and are at their most lax in Turkish and Italian companies.

The survey also showed that although European business travellers dream of spending their travelling time reading novels or simply sleeping, most end up working instead.

An overwhelming majority - 90 per cent - believed relaxation would improve their work performance but 56 per cent said they worked while on the move, mainly to catch up on paperwork. The perception of hard-working Germans was reinforced by the survey's findings. Half the Germans and Swedes questioned said they preferred to work while travelling. But only 30 per cent of British, Spanish and Turkish travellers would choose to work while travelling.

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Triumphant Greek socialists clear to take moderate pro-Europe path Pasok lays Papandreou ghost

By Kerin Hope in Athens

The re-election of the Pasok socialists in Greece with a clear parliamentary majority has opened the way for stringent economic reforms and a sustained effort to reduce tension with Turkey over Cyprus and the Aegean sea. The drachma strengthened on the news of the Panhellenic Socialist Movement's victory in Sunday's election.

According to almost complete results, Pasok won 41.5 per cent of the vote and 182 seats in the 300-member parliament. The conservative New Democracy captured 38.2 per cent and 108 seats. Three small leftwing parties, including the Democratic Renewal Movement, a Socialist splinter group, shared the remaining 30 seats, while Political Spring, a small centre-right party, was excluded from parliament.

Mr Simitis is today expected to announce a new cabinet, in which several senior posts will be reshuffled to reflect individual ministers' performance in the polls. Mr George Papandreou, the late premier's son, reinforced his chances of becoming foreign minister by winning more votes than any other candidate in Athens. Analysts said the soft-spoken Mr Papandreou would be "more in tune" with the premier on improving ties with Turkey than the outspoken incumbent, Mr Theodoros Pangalos.

But banishing Mr Arsenlis to an obscure cabinet post would be difficult after he came second in the main Athens constituency. He was mentioned as a possible agriculture minister, an awkward post because of Greek farmers' resentment over declining EU support payments for crops and over being included in the tax net.

at cutting the deficit by 8.4 percentage points of gross domestic product, will include cuts in public spending amounting to about Dr500bn (\$2.5bn). It would be the first time a Greek socialist government has resorted to spending cuts rather than relying on tighter fiscal policies to reduce the deficit.



Losers: Miltiades Evert

Humiliated conservative quits

Greece's conservative New Democracy party was in deep disarray yesterday after its leader, Mr Miltiades Evert, resigned in response to a humiliating election defeat. At least five candidates from different factions are expected to contest the leadership, writes Kerin Hope.

and home to several generations of Greece's conservative elite, was thronged yesterday with discontented party workers. One said gloomily: "Unless we can modernise like the Socialists have, we're in danger of becoming just a piece of Greek folklore."

Sunday's poll it failed to capture young voters, many of whom cast ballots for small parties, including the ex-communist Synaspismos. Worse still, Greece's traders, foreign exchange brokers and merchant bankers appear to have joined company owners in backing the socialists as more likely to implement capital market reforms and attract investment.

party leadership is Mrs Dora Bakoyannis, a former culture minister and the daughter of former prime minister Constantine Mitsotakis, still an influential New Democracy backbencher. The other is Mr Stefanos Manos, a former economy minister whose efforts to launch privatisation in Greece were undermined by special interest groups and other New Democracy government members.

Playing for time with the Sick Man of Russia

Yeltsin's illness may have dismayed the west but the president's minders are marching to a different beat, writes Chrystia Freeland

From Nato generals to Wall Street brokers, the western world has been shaken by the disturbing new information about the Russian President Boris Yeltsin's heart condition which drips from the Kremlin almost every day.

But, in a sign that Russia is governed by a special set of political rules, even after the collapse of communism, reaction has been altogether more muted in the Kremlin leader's homeland.

Consider the revelation that Mr Yeltsin may be so ill that his operation could be delayed for up to two months. It was a political bombshell in the west, but in Russia, according to one of the country's top political strategists, it will have no effect at all.

"It will not change anything," said Mr Vyacheslav Nikonov, one of the political wizards behind Mr Yeltsin's successful bid for re-election.

Grandson of one of Stalin's foreign ministers, Mr Nikonov has Russia's Byzantine political traditions in his blood. In Mr Nikonov's view, reports that Mr Yeltsin could be more frail than his officials initially admitted could actually put a damper on the fierce contest to succeed the ailing leader.

"The battle for power will calm down, because it is unwise to campaign while the president is ill. The public would react badly," Mr Nikonov said.



American heart specialist Michael DeBakey, right, who is to advise on President Yeltsin's treatment, is greeted with flowers in the Russian capital yesterday. With him is the head of Moscow's Cardiological Research Centre, Mr Yevgeny Chazov.

about the president's health - hailed in the west as another sign in Russia's long march towards democracy - is in fact a skillfully constructed strategy to distract public attention from Mr Yeltsin's prolonged absence from active politics.

"The goal is to draw out the new elections for as long as possible, to hold them not now, but next summer," Mr Markov explains. For foreign investors and for western leaders, who had hoped that Mr Yeltsin's election this summer would usher in a new era of political stability, early elections would be disquieting.

But, pointing to the stepped-up public appearances of Russia's three top presidential contenders - Mr Victor Chernomyrdin, the premier, Mr Alexander Lebed, the security chief, and Mr Yuri Luzhkov, the mayor of Moscow - Mr Markov argues that the next presidential campaign is already under way in a discreet Russian fashion.

The purpose of this elaborate strategy, Mr Markov believes, is to postpone the inevitable elections for as long as possible, thereby giving both the fragile market economy and the new ruling elite time to grow deeper roots before the nation is huffed by

another political battle. "The goal is to draw out the new elections for as long as possible, to hold them not now, but next summer," Mr Markov explains. For foreign investors and for western leaders, who had hoped that Mr Yeltsin's election this summer would usher in a new era of political stability, early elections would be disquieting.

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US and UK clash over Serb sanctions

By Bruce Clark, Diplomatic Correspondent

US and British officials have had an ill-tempered argument over when to lift sanctions against Serbia - one of the first open rows between the western co-sponsors of the Bosnian peace accord.

suggested London was aligned with Moscow, and ranged against Washington and Bonn, in calling for a swift end to all punitive measures against Belgrade. "We are surprised by these remarks," said a British diplomat. "Whoever made them was clearly not well-informed."

France, Russia and Serbia itself round to a better understanding of the US viewpoint, a British diplomat said. British officials did not deny, however, that there was a difference between them and their US counterparts over the terms on which the sanctions regime against Serb-led Yugoslavia - consisting of Serbia and Montenegro - should be ended.

progress in Bosnia, including the successful functioning of Bosnia's newly elected institutions. This policy is intended to ensure that Mr Milosevic maintains pressure on the Bosnian Serbs to co-operate in the establishment of a multiethnic government in Bosnia.

Russian officials have said the sanctions regime should be lifted by the end of this week. A British official confirmed that London had some reservations about Washington's insistence on broadening the conditions for the lifting of sanctions.

EUROPEAN NEWS DIGEST

Spanish unions plan protests

Unions representing Spanish public sector employees joined forces yesterday to schedule mass protests against a wage freeze planned by the centre-right government to meet budget targets for the European single currency. Demonstrations are planned outside government offices next Monday when the government is set to send its 1997 budget bill to parliament. A second day of nationwide protests is set for October 15.

Malta heads early to polls

Malta will go to the polls on October 26, 10 months ahead of schedule, Mr Eddie Fenech Adami, premier, announced yesterday. Listing what he viewed as his administration's major successes in the past five years, Mr Fenech Adami included the handling of the economy and several legislative measures which created municipality councils, the setting up of a financial centre, the fight against crime, and increased citizens rights.

side-stepped questions whether, if victorious, he planned to lead his Christian Democratic party for another full five-year term. Since first taking office in 1987 ending 16 years of uninterrupted socialist rule, the island has averaged an annual 4.5 per cent GDP growth.

Arms group denies trafficking

An Italian arms manufacturer caught in a widening corruption probe said yesterday that prosecutors were investigating breaches of export procedure - not illegal arms traffic. On the basis of leaked transcripts of telephone calls, Italian newspapers speculated at the weekend that La Spezia magistrates had uncovered illegal trade in arms, including exports to Bosnia and Iraq, in breach of UN resolutions banning arms sales to the region.

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Polish coalition fights split

Parliamentary deputies from Poland's two governing coalition parties, the former communist Left Democratic Alliance (SLD) and the Polish Peasant party (PSL), are due to meet today in an attempt to stem a deterioration in relations between the two partners.

The row between the parties, which have had an overwhelming majority in parliament since elections in 1993, stems from a fight over the division of ministerial posts in a government reform. The reorganisation which comes into force next month provides for the abolition of seven ministries and the creation of four new ones in their place. These include the treasury, which will oversee state-owned companies and be responsible for privatisation. The PSL, the junior coalition partner, is arguing against determined opposition from the SLD, that it should be headed the treasury.

Bulgaria offers 15 companies

Bulgaria said yesterday it would sell off 15 major state-owned companies in its boldest move to a market economy since the collapse of communism. Premier Zhan Videnov's government hopes to sell off all state-owned companies by the end of the year and earn about US\$1bn according to state TV.

The list of enterprises up for sale includes seven chemical works, two metallurgical plants, two shipyards and four engineering companies. Among them are the Sodi Works near Devnya, which provides about 10 per cent of the world's calcined soda; the country's largest copper smelter near Pirdop, and Bulgaria's largest engineering company, Balcanar.

Portuguese banker arrested

A top director at Banco Comercial Portugues (BCP) has been arrested on charges of loan-making irregularities, according to leading newspaper reported yesterday. According to the daily, O Publico, Mr Jose Dias Silva, who heads BCP's private banking operations, was arrested last week on the charges, which stem from activity in 1985 when he worked for Banco Portugues do Atlantico (BPA). BCP's spokesman was not available to comment on the report. The newspaper reported that Mr Silva provided large, preferential loans to a Portuguese businessman with emigrant status, a practice outlawed at the time.

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NEWS: EUROPE

# Perry bid to allay fears over Nato

By Hugh Carnegie in Stockholm

Mr William Perry, the US defence secretary, yesterday sought to allay Finnish and Swedish concerns about the planned expansion of Nato, saying Washington wanted Russia inside "the circle of European security".

At the same time, he signalled that Latvia, Lithuania and Estonia, which are seeking Nato membership in the face of strong Russian objections, would be offered an enhanced version of the current Partnership for Peace organisation if, as expected, they were not admitted in the first round of Nato enlargement.

"We are interested in bringing Russia into the security structure of Europe," Mr Perry said at the end of a three-day visit to Finland and Sweden. "In this circle of security, we want Russia to be inside, participating in it, not outside."

The issue of security is highly sensitive in the Baltic region, Finland and Sweden, both neutral, are concerned that admitting the three Baltic states to Nato would provoke Moscow and rekindle

# France aims for big role

By David Buchan in Paris

Mr Javier Solana, Nato secretary general, said yesterday he hoped France would play an important role in the Atlantic alliance's "new command", once Paris returns to the military structure it left 80 years ago.

Speaking after talks in Paris with President Chirac and Mr Charles Millon, France's defence minister, Mr Solana expressed the wish that "France as well as Spain, which are moving closer to Nato, can be comfortable in the new command structure".

Mr Millon said yesterday the French were "not reasoning in terms of posts they will hold, but in terms of the balance between Europe and the US".

He alleged soldiers had voted more than once and at one polling station military officials had thrown out the Election Commission.

His allegations follow a series of apparent abuses at polling stations which drew complaints from observers

# Opposition parties complain of ballot-rigging as president leads in poll

# Armenian election sparks protests

By Sander Thoenes in Yerevan

Armenian opposition parties yesterday protested about alleged ballot-rigging as preliminary results of the country's presidential election showed the incumbent Mr Levon Ter-Petrosian, in the lead.

Crowds were last night gathering in Freedom Square in Yerevan, the capital, to hear Mr Parviz Atrikian, the dissident who dropped out of the presidential race, describe the preliminary results as a farce.

"The people expressed their will, and look at what they are doing now," he said.

Mr Armen Poghosian, an aide of Mr Vergez Manukian, the main rival to Mr Ter-Petrosian, said election officials had kept his supporters from observing votes in some stations and denied them a copy of voting results in others.

He alleged soldiers had voted more than once and at one polling station military officials had thrown out the Election Commission.

His allegations follow a series of apparent abuses at polling stations which drew complaints from observers



President Ter-Petrosian (left) and opposition leader Vergez Manukian cast their votes in yesterday's elections

during Sunday's vote. Mr Ter-Petrosian's supporters have lodged complaints against their rivals as well.

Monitors from the Organisation for Co-operation and Security in Europe ruled last year's parliamentary vote unfair and stepped up their

presence this year, with 95 observers attending not just the vote count at the stations but the collation of results as well. They will announce findings today.

Voting figures in eight of the 11 provinces showed Mr Ter-Petrosian, a tough mone-

tarist who swept to power on a nationalist platform five years ago, leading with 56 per cent of the votes.

Mr Manukian, a former premier who supports reforms but who promised to spend more on salaries, pensions and education, had 36.6

per cent. A Communist candidate had 6.9 per cent and a centrist less than one per cent. Mr Atrikian had bowed out of the contest in favour of Mr Manukian.

But the results available last night did not include Yerevan, which has 38 per cent of the electorate. Results available yesterday included only provincial towns and rural areas. Even Mr Ter-Petrosian's supporters acknowledged that Mr Manukian was likely to win in Yerevan and several other cities.

Mr Khachatour Bezdzhian, chairman of the Central Election Commission, said Mr Ter-Petrosian was likely to receive the minimum required 50 per cent of the vote.

Mr Ter-Petrosian claimed victory yesterday but Mr Manukian also said he was the victor. "We have achieved victory in the first round, regardless of massive falsification. We won't let them have a false president. The people will defend their elections most resolutely," he said.

If no candidate wins more than half the votes, the two leading candidates go into a run-off vote in two weeks.

# End of pay-TV plan aids probe, says Van Miert

By Neil Buckley in Brussels

The scrapping of pay-TV plans in Germany by Compagnie Luxembourgeoise de Télédiffusion and Germany's Bertelsmann would make "easier" the European Commission's investigation into the merger of the two companies' TV interests, the EU competition commissioner said yesterday.

The merger announced in June of Ufa, Bertelsmann's TV subsidiary, and CLT's television business would create Europe's biggest broadcaster, valued at more than \$6bn.

Speaking after a conference on competition policy, Mr Karel Van Miert said the dropping of the pay-TV plans "will make the handling of the case easier".

"The most problematic thing in this deal was the pay-TV," he added.

CLT and Bertelsmann had planned to open a pay-TV channel, Club RTL, in Germany this autumn. But they abandoned the plans last week in favour of developing free-TV services, saying the German pay-TV market was saturated.

Whether the proposed merger of the two groups' TV interests will win commission approval has been in doubt. Mr Van Miert has argued that the European media industry should guard against development of dominant giants, and needed vigorous competition.

The commission has vetoed only five mergers since it gained the power to vet large European mergers

in 1990. Three of those have been in the media sector.

Mr Van Miert also gave a clear signal that the proposed merger of the container interests of Britain's P&O and Nedlloyd of the Netherlands to form the world's largest container group would be investigated by the commission.

"It is going to be looked into, obviously," Mr Van Miert said. He believed the proposed deal did meet turnover thresholds that would put it automatically under the commission's jurisdiction. "But I have to be given some additional information to be absolutely sure."

Officials had indicated previously that whether the deal met the thresholds depended on precisely how it was structured.

Mr Van Miert said the commission was making progress in investigations of supply contracts between Electrabel, Belgium's electricity and utility company, and the country's municipalities.

The commissioner warned in March that moves this year to extend the exclusive agreements by up to 18 years - often in connection with municipalities taking stakes in Electrabel - could contravene competition law and hamper liberalisation of the EU electricity market.

He said yesterday Electrabel had agreed the contracts should "not run longer than 16 years". But the commission still needed guarantees that local authorities were free to end supply contracts with Electrabel.

# World rules on competition plea

By Neil Buckley

Mr Karel Van Miert, European competition commissioner, yesterday strengthened his call for international co-operation on competition policy to be on the agenda of the World Trade Organisation's ministerial conference in Singapore in December.

He told the Centre for European Policy Studies in Brussels that the globalisation of business and commerce made it essential for competition authorities to co-operate and exchange information, and for international rules to be agreed.

"It has become really apparent to me that the EU needs to go ahead with initiatives to try and develop an international dimension to competition policy," the commissioner said.

In June Mr Van Miert and Sir Leon Brittan, EU trade commissioner, issued a joint paper arguing that WTO members should commit themselves to establishing basic competition laws and enforcement systems as a first step towards agreeing binding global rules.

Everything must be engineered to perfection. Nothing must be left to chance.

NEWS: WORLD TRADE

China's call for direct shipping links with Taiwan threatens Hong Kong cargoes

# HK port sees rivals on horizon

When relieved British and Chinese officials proclaimed an end to years of wrangling over Hong Kong's port last week, they said the expansion plans would buttress the territory's position as the region's dominant trading hub.

But if peace has broken out over the world's largest port, the battle for regional trade is entering a fiercer phase. China's call last month for direct shipping links with Taiwan, though part of a complex political game, threatens to shift cargoes from Hong Kong. The challenge is compounded by rising competition from Singapore and South Korea to the emerging ports along the southern Chinese coast.

The reaction of Taiwanese industry to China's overtures demonstrates the growing rivalry. "Taiwan's major container shippers are gearing up to take a share in China's trade," said Yang Ming Marine. "Taiwan could become a transhipment centre for the mainland," the company claimed.

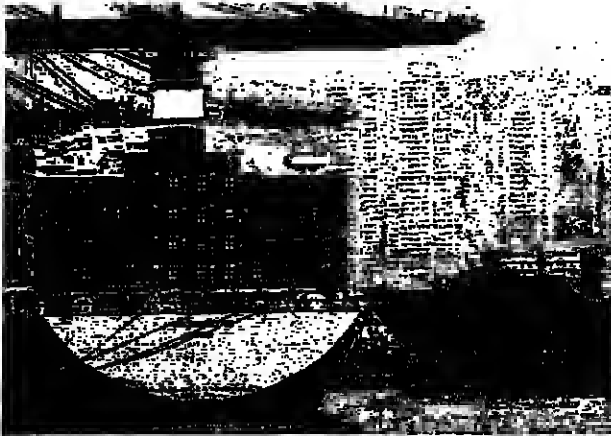
For Hong Kong, the entreaty for Taiwan-China trade, this threatens upheaval. Taiwan-China container trade passing through the territory reached about 1m

TEUs (20ft equivalent units) last year, compared with total throughput of 12.6m TEUs. The territory's Port Development Board estimates direct shipping ties between Taiwan and China would result in the loss of about 900,000 TEUs of this trade within a few years.

There are still many obstacles to cross-strait shipping, in the short term at least. Taipei is resisting direct trading ties, until political concessions are forthcoming from Beijing. Sensitive diplomatic issues must also be overcome, such as the flagging of vessels and other delicate issues of sovereignty.

But despite such considerations, the process appears inexorable, if only because Hong Kong's return to Chinese sovereignty next year undermines the pretence of indirect trade between Taiwan and the mainland. And once direct ties are established, Taiwan will eye much more than the existing commerce flowing through Hong Kong.

Taiwan argues that its ports offer savings over Hong Kong for shippers between the Chinese mainland and international markets. According to the Hong Kong Shippers' Council, terminal handling charges in



A Hong Kong container port: faces costs challenge *Yong An*

Taiwan are US\$133 per TEU for cargoes from the US, compared with US\$219 in Hong Kong. Although Hong Kong's general port charges, from pilotage to navigation rates, remain low, Taiwan's transport ministry believes local ports can replace Hong Kong for up to 3m TEUs of goods coming out of China.

Taiwan is not the only threat. "The bigger challenge may come from China and even from Singapore," says Mr Harry Wilkinson, chief financial officer of Orient Overseas, the Hong Kong shipping group. Emerging ports on the southern China coast, from Zhuhai to Yan-

tian, are well placed to win intra-Asian trade, one of the driving forces behind the growth of containerised commerce.

But Hong Kong is keeping calm. "I don't worry too much. I am still confident," said Mr Li Ka-shing, the head of Hutchison International Terminals, the territory's biggest port operator. HIT is developing new ports in the Pearl River Delta and is investing in Shanghai's expanding port facilities.

Port officials stress the territory's advantage in terms of support services and infrastructure and, in particular, point to the trade potential

of its hinterland. The Port Development Board estimates that economic expansion in southern China will push the territory's total container throughput to 28m TEUs by 2001.

"We may lose shipments," says one port executive. "But this is not a zero-sum game. Direct links between China and Taiwan will stimulate regional trade and Hong Kong will benefit." By his estimates, Hong Kong will need to expand each year by almost the size of Felixstowe, the biggest port in the UK, if it is to meet demand.

Shippers agree about the potential but add a note of caution. "The real challenge for Hong Kong is costs," says Mr Wilkinson at Orient Overseas. "It is more expensive to handle a container here than in Rotterdam, and no country can defy economics over time."

The new terminal, says a rival shipping executive, is a step in the right direction. "It will ease capacity constraints, and should ease pressure on rates," he says. "And in the long run that is going to determine whether Hong Kong stays ahead of the rivals in its wake."

John Ridding

# Taipei eases rules on shares

Taiwan is to widen foreign participation in its stock market, allowing foreigners to hold up to 25 per cent of locally listed companies, said Mr Paul Chin, finance minister, AFP reports from Taipei.

"The move to expand the domestic stock market is in line with the government policy of liberalising and internationalising Taiwan's financial sector," Mr Chin said.

Under the new rules, a single foreign individual or institution can hold up to 10 per cent of the shares issued by a Taiwanese listed company, up from the current 7.5 per cent ceiling. The maximum combined foreign stake in a company has been raised from 20 to 25 per cent.

The liberalisation, to take effect by the end of this year, would "upgrade the quality and quantity of the local securities market and help Taiwan realise its plan of becoming a regional operation centre," Mr Chin said.

Based on total market capitalisation at the end of August, about US\$89.8bn would be opened to foreign investors, compared with the US\$47.7bn now available.

About US\$24.5bn of foreign stock funds had been approved by authorities in Taiwan and US\$9.9bn had been invested in the island, Mr Chin said.

A Taiwanese business group will leave for North Korea today to explore business and investment opportunities despite the absence of formal ties, Reuter adds from Taipei.

The group, comprising 30 business leaders from small and medium-sized companies, plans a one-week visit, said Mr Joseph Chen, deputy secretary-general of the Chinese National Federation of Industries.

"North Korea is a completely new market for Taiwan businessmen," said Mr Chen.

WORLD TRADE NEWS DIGEST

# Daewoo agrees clutch deal

Daewoo, the expansionist South Korean industrial and vehicles group, is to manufacture automatic clutch systems for cars under a licensing and production technology transfer agreement with a UK-based group expected to be worth \$300m over the next 10 years.

Daewoo intends to use the system, which dispenses with the need for a clutch pedal and is just starting to be introduced to cars produced in the west and Japan, in new models it intends to launch in 1998.

The agreement is between Daewoo Precision Industries and AP Kongsberg Holdings, a joint venture between Automotive Products of the UK and Kongsberg Automotive of Norway. The system will be fitted to two of Daewoo's fast-expanding model ranges. The South Korean group intends to be one of the world's top 10 carmakers by the end of the decade, with an annual output of more than 2m units.

# Hungary's illegal computers

Up to 25 per cent of Hungary's total sales of computers are illegal. "We think the hardware black market accounts for up to a quarter of Hungary's information technology turnover," said Mr Tibor Gyurocs, president of the Information Enterprises Association. Mr Gyurocs, also general director of computer company Rolltron, said he met tax and customs officials at the weekend to tackle the growing black market.

Mr Gyorgy Beck, general director of Digital Hungary, a unit of US-based Digital Equipment estimated that as much as 90 per cent of computer memory chips could come from illegal imports but hard disks, motherboards and processors were also affected.

# Hutchison wins Subic port

Hutchison Whampoa was confirmed as winner of a contract to develop a container terminal at the Philippines' Subic Freeport. The Subic Bay metropolitan authority said Hutchison's proposal would provide the "greatest financial return" and was the most advantageous to the government. International Container Terminal Services, the country's largest port operator, had submitted a lower bid.

# LOT in drive on cargo

Poland's national air-carrier LOT and DHL Worldwide Express have launched a joint cargo connection between Warsaw and Brussels via Germany. The connection established this month will operate five times a week using a Boeing 727 cargo aircraft, capable of carrying nearly 22 tonnes, according to DHL.

# JNOC in \$50m oil deal

The Japan National Oil Corporation signed a deal yesterday to spend over \$50m prospecting for oil offshore Kazakhstan. JNOC said the company eventually hoped to produce oil from Kazakhstan's Caspian Sea shelf. The Kazakh government said JNOC would explore oil reserves in Kazakh sections of the Aral Sea and Caspian Sea.

# Tokyo jet plans may be grounded

By William Dawkins in Tokyo

Japanese industry officials have admitted their latest attempt to realise a long-frustrated ambition to create an indigenous world class aircraft industry may never get off the runway.

The Ministry of International Trade and Industry has launched a review of the viability of a 10-year old plan to create a 100-seat Japanese-made regional passenger aircraft, known as the YSX, according to Japanese media reports.

This follows the announcement by one of the YSX's main industrial participants it might pull out and form a joint venture with a foreign partner.

This appears to have been a severe blow to the scheme, already called

into question by a world price war for commuter aircraft.

"We are not satisfied with the slow pace of the project," Mr Tatsuya Kugo, head of Miti's aircraft and ordnance division, was quoted as saying by Eyoedo news agency. "We have to carefully examine the project's feasibility," he said. Project planners say there are no technical problems, but it is unclear whether there is a market for the 200 aircraft needed to break even. Sales were scheduled to start in 2000, but officials say this is now unlikely. Miti officials were not available to comment yesterday, a Japanese national holiday.

The main partners in YSX are Japan's top aerospace component producers, Kawasaki Heavy Industries, Fuji Heavy Industries and Mitsubishi Heavy Industries, plus Miti

itself and the state-backed Japan Aircraft Development Corporation. Last month, Mitsubishi indicated that it wanted to abandon the scheme and produce a cheaper 100-seat aircraft based on an existing model developed with Bombardier, the Canadian aerospace group.

Miti is now studying the Mitsubishi-Bombardier option as an alternative to the YSX, originally envisaged as a joint venture with Boeing, until the US aerospace group's decision to shelve involvement, to save costs, three years ago. But if Miti does follow that route, it is likely that the Japanese partners would continue, as they are now, as mere subcontractors to a foreign-based project.

Japan's first attempt to revive its aircraft industry, destroyed in the second world war, got off the ground

in the 1960s, in the shape of a 64-seat twin propeller passenger aircraft called the YS-11.

The domestic market proved too small to support the YS-11, and a mere 182 were sold, forcing the producers to halt production, amid mounting losses and debts, in 1973. Work on the original YSX, intended to succeed where the YS-11 had failed, got under way at Miti's instigation in 1986. But has been dogged ever since by the caution of private sector partners, understandably unwilling to

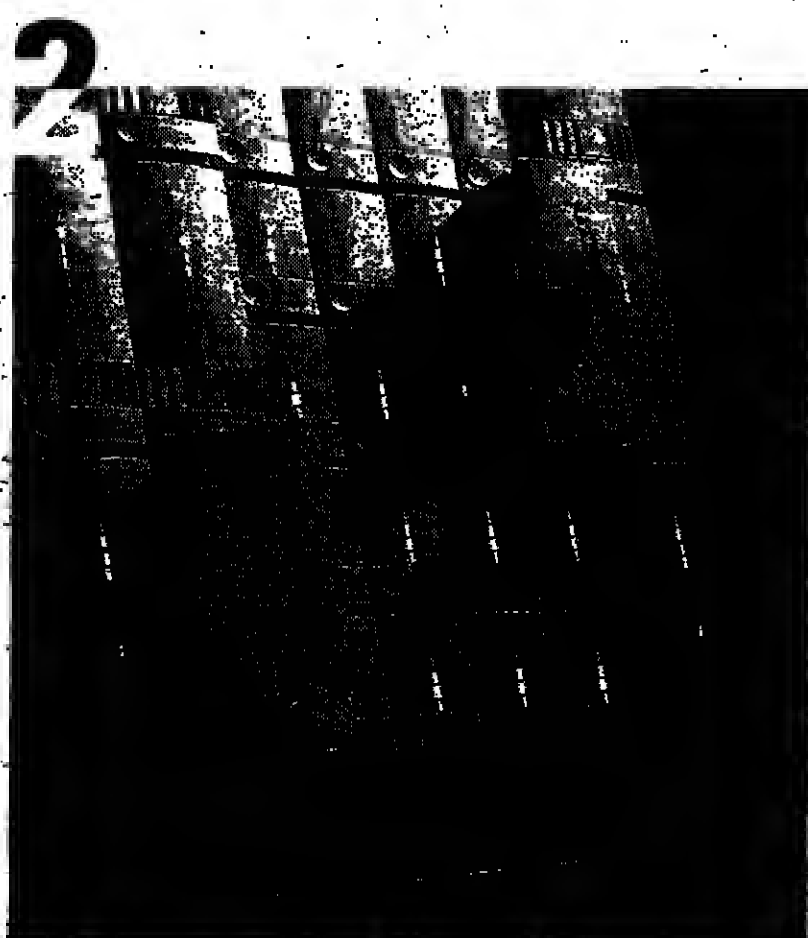
Japan's ambitions for space are having better fortune. In July, a Japanese consortium and the government's space agency separately began negotiations with foreign customers to launch what would be their first foreign satellites.

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# Siemens Nixdorf: User Centered Computing





مركزنا العربي

# Perot turns to court over TV debates

By Jurek Martin  
in Washington

Mr Ross Perot, presidential candidate of the Reform party, yesterday took to the courts as well as to the air waves to press his case for inclusion in next month's televised debates.

A lawsuit filed in the federal court in Washington asks that the Federal Election Commission, which oversees campaign finance, order that Mr Perot appear alongside President Bill Clinton and Mr Bob Dole, the Republican candidate, in the debates.

Mr Russell Verney, Reform party spokesman, said the exclusion of Mr Perot was a violation of "the fundamental exercise of free speech". Mr Perot participated in televised debates in the 1992 presidential election.

The Clinton and Dole camps have now agreed there will be three debates in all - between the heads of the respective tickets on October 6 and 16 and

between Vice-President Al Gore and Mr Jack Kemp for the Republicans on October 9. That agreement, hammered out over the weekend, follows the recommendation last week of the bipartisan debates commission that Mr Perot be excluded on the grounds he has no realistic chance of winning in November.

Opinion polls consistently give Mr Perot single digit ratings.

The Dole position all along has been that Mr Perot

should not take part, because the exposure could well increase his chances of dividing the anti-incumbent vote. The Clinton side preferred his inclusion for much the same reason, although the president holds a wide opinion poll lead over Mr Dole.

Mr Clinton may have got the best of both worlds, for Mr Perot has now turned on the Republican candidate with a vengeance, reminding of the way he showed personal animus towards

President George Bush in the 1992 campaign.

In a Sunday TV interview he said Mr Dole had "poisoned the attitudes of millions of independent voters who put the Republicans in power of the House and Senate [in 1994]".

By contrast Mr Perot praised Mr Clinton for having tried to include him.

Mr Perot's voice is being heard frequently in paid-for TV commercials, including his trademark half hour disquisitions on what is wrong

with the country. These have now been supplemented with shorter 30 second commercials demanding he appear in the debates.

His spat with Mr Perot may not be the biggest of Mr Dole's problems. His campaign is now focusing on the 29 states which could still give him a majority in the Electoral College, but that means diverting resources away from some of the traditional battlegrounds, such as California, Illinois and Pennsylvania.

AMERICAN NEWS DIGEST

## Cardoso eyes second term

President Fernando Henrique Cardoso of Brazil has stated publicly for the first time that he hopes to run for a second term, in elections scheduled for October 1997. Brazilian law prohibits re-election for all holders of executive office - the president, state governors and mayors - and Mr Cardoso would require the support of two thirds of Congress to make the constitutional change needed for him to stand again.

It has been understood for some months that Mr Cardoso was keen to run for another term but he resisted public statements until the weekend, when he told a local newspaper he was in favour of amending the constitution to allow re-election of incumbents.

"I am in favour of re-election as an idea... If [the constitution] were amended, I think I should have the right to stand again," he said.

Mr Cardoso's allies are expected to begin efforts to change the constitution after municipal elections next month, when government supporters face tough opposition from candidates opposed to re-election, particularly in São Paulo. *Jonathan Wheatley, São Paulo*

## Argentine production rises

Industrial production in Argentina rose vigorously in August, placing beyond doubt the strength of economic recovery from last year's deep recession, according to a report released yesterday by the influential FIEL economic think-tank.

Preliminary figures for August placed FIEL's industrial production index, the most watched Argentine economic indicator, 9.2 per cent higher than in the same month of 1995. August marked the fifth consecutive month of increased output, following 12 months of straight decline.

The economy, which contracted 4.4 per cent last year following the effects of the Mexican devaluation, had begun to recover this January, according to Mr Abel Vigliani, an economist at FIEL. "We had growth in the second quarter and growth will be very strong in the third quarter," he said.

Despite ample evidence of recovery, the Argentine public continues to believe the economy is mired in recession. In a recent opinion poll, 66 per cent of respondents said they thought the economy would stagnate or decline further. *David Filling, Buenos Aires*

## IMF warns on US economy

The IMF warned yesterday, ahead of the US Federal Reserve's policy meeting today, that there were already signs of overheating in the US economy.

In a briefing ahead of the IMF's annual meeting later this month, a senior official said that the 5.1 per cent unemployment rate in the US was probably at or below the "natural rate" which could be sustained without setting off an upward spiral in inflation. He added that there were already signs of inflationary pressure in some wage negotiations.

The IMF also cast doubt on claims that the growth rate which the US economy can sustain without inflation rising has increased. With both main candidates in the presidential race calling for stronger growth, the official said it was a "dream" to believe that the US economy could sustain growth of more than 2.5 per cent a year. *Robert Chote, Washington*

## Technocrats will not be picked as presidential candidates

# Mexico's PRI voices discontent

By Leslie Crawford  
in Mexico City

Mexico's ruling party has voted to ban technocrats with no political experience from being chosen as its presidential candidates.

Under the new rules, neither President Ernesto Zedillo, a former central banker, nor his two predecessors would have qualified to stand for the presidency.

A national assembly of the Institutional Revolutionary Party (PRI) over the weekend decided that presidential candidates must have previous experience in an elected political post, and have been a party member for at least 10 years.

The new rules ensure the next presidential candidate will almost certainly be chosen from the ranks of the party, rather than from the bureaucrats who run government.

The PRI had not held a national assembly since 1990 because of internal squabbling.



Santiago Oñate, PRI leader, appeals for calm as scuffles break out at the assembly

ing. The weekend meeting was therefore the first time since the disastrous devaluation of the peso in December 1994 that rank-and-file members of the party have been given an opportunity to voice their discontent.

Worried by the loss of votes since the economic crisis, the PRI has sought to recast itself as a fiercely patriotic and populist party. The party has governed Mexico since 1929, but opinion polls show it might lose the mayoralty of Mexico City and its absolute majority in the lower house of Congress in 1997 unless it can renew its electoral appeal.

"Comrade", Santiago Oñate, PRI leader, said the party would no longer be "an obsequious follower" of government. "It is time to revive the internal life of the party," he said.

The national assembly voted to drop "social liberalism" from the guiding principles of the party, in a rebuke to the free-market economic policies pursued by PRI governments since the mid-1980s.

It also voted to oppose the privatisation of Mexico's 61 petrochemical plants, despite the best attempts of the PRI leadership to keep oil policy off the agenda.

Mr Pablo Favón, a dele-

gate from the oil workers' union, roused the convention with a speech that warned against handing over "the greatest wealth of our country to foreigners". He received a standing ovation, and a unanimous vote to defend the petrochemical industry's state ownership.

It was not clear, however, whether Mr Zedillo and his cabinet would pay greater heed to the PRI's opinions after the assembly. One presidential spokesman said the government would not abandon its plans to privatise the petrochemical industry. "It may cost us political capital, but the privatisation is going ahead," he said.

# Quebec under pressure on power contract

By Robert Gibbens  
in Montreal

Mr Brian Tobin, premier of Canada's Newfoundland province, has opened a national campaign to force Quebec to renegotiate the terms of a contract which allows it to buy power from the Churchill Falls hydroelectric project at 1989 prices.

The Churchill Falls project in Labrador, Newfoundland, was only able to sell bonds to finance its construction by agreeing a contract in 1969 to sell 4,500MW of its 5,000MW output to Hydro-Quebec, Quebec's power utility.

The private-public project came on full stream in 1976 at a capital cost of about US\$1bn. Quebec also invested nearly US\$1bn in the 700-mile transmission system from Labrador, on the Canadian mainland, to Montreal.

However, the contract did not include any escalator clause. Since the deal was signed there have been two world energy crises and Hydro-Quebec is still buying the power at 1989 rates and selling it at current values, for an estimated annual profit of US\$500m.

Mr Tobin, who when Liberal fisheries minister in Ottawa, successfully fought the cod war with Spain two years ago, argues that Quebec is making unconscionable profits from the contract.

"The terms must be renegotiated to provide Newfoundland with a fair return," he said. He threatened to cut off the power at the Labrador border.

Mr Jean Chrétien, Canadian prime minister, said he would not get involved in what he called a quarrel between two provinces.

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## 'This contract was signed by consenting adults'

Mr Lucien Bouchard, Quebec premier, who has just replaced Hydro-Quebec's top management, cited two Canadian Supreme Court decisions upholding the 1969 power contract.

"This contract was willingly signed by consenting adults when only Quebec was willing to take the risk on the Churchill Falls," he said. He denied making any commitment to renegotiate terms during a provincial premier's meeting in August.

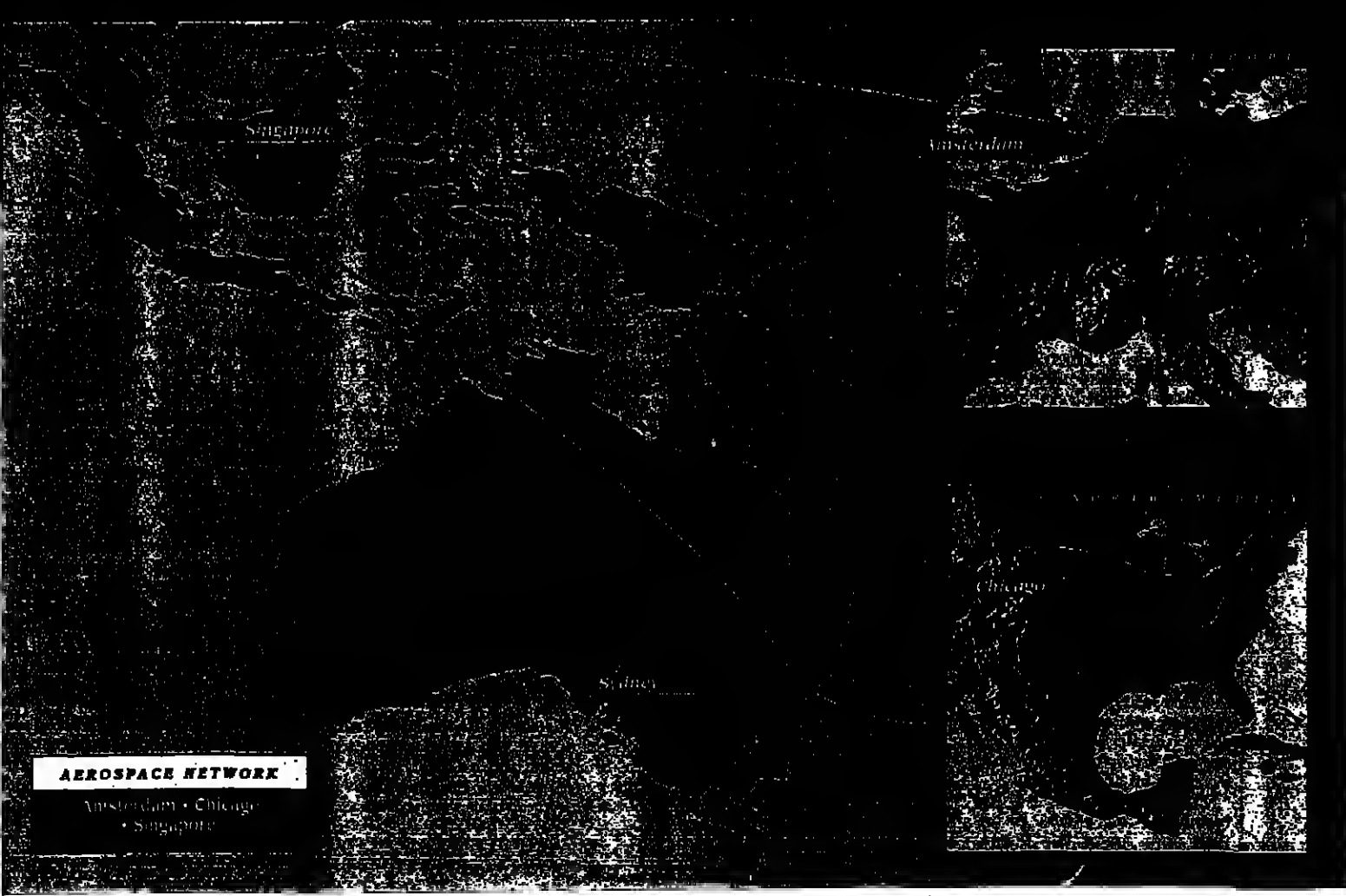
Correction

### Banco Serfin

We have been asked to point out that neither Mr Adrian Sada de Mexico's Banco Serfin, nor the bank itself, is being audited by government tax inspectors, contrary to our report of September 20.

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NEWS: ASIA-PACIFIC

Banks in China see fall in savings growth

By James Harding in Beijing

China's banks were alerted yesterday to the sharp fall in the growth of individual savings deposits as Shanghai authorities released figures showing tens of billions of yuan had been diverted to the stock market.

The banking authorities are holding money in bank deposits is likely to unnerve many Chinese banks, which are relying on buoyant individual savings to help meet the borrowing requirements of China's ambitious infrastructure programme and sustaining huge state-owned enterprises.

One economist in Beijing said: "The change in composition of savings in China has to be worrying for the banking system. On the loan side, the banks face heavy demand from new projects and targeted state enterprises, but their sources of funds are drying up."

The monthly growth in savings deposits in Shanghai fell to Yn1.53bn (\$154m) in July and August compared with monthly growth of Yn6.39bn in the first three months of the year and Yn3.63bn in the second quarter, according to figures released in the Shanghai Securities News.

The official report said the slowdown was a response to China's interest rate cut on May 1 and cancellation of inflation subsidies for long-term deposits.

International economists in Beijing said the figures were in line with speculation in the central government of a fall in savings deposits growth.

This has been a focus of attention in Beijing, one western analyst said, because "from the central plan point of view it has been very nice to have a large cushion of deposits."

But he also suggested pressure on banks could be mitigated by a relative slowdown in private sector lending as a result of the rising real borrowing costs.

In Shanghai, the report suggested the shift was a boon for the stock market. Exchange authorities said tens of billions of yuan flowed into stock markets after the interest rate cuts.

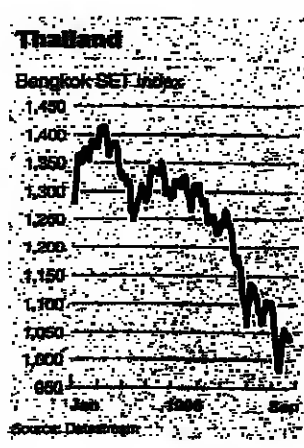
In the first eight months of this year, turnover on the Shanghai stock market was Yn1,318bn compared with Yn546.2bn for the whole of 1995. Average monthly trading rose from Yn237.2bn in the first quarter to Yn237.2bn from April to August.

Fears on PM hit Thai stocks

By Ted Bardackie in Bangkok

Thai stocks fell yesterday as investors showed their disapproval of signs that Gen Chavalit Yongchaiyudh would become Thailand's next prime minister by the end of the week and would appoint a cabinet with key ministerial portfolios distributed according to the country's traditional quota system.

Equities were off 1 per cent, with the SET index closing at 1,034.37 despite a spree of speculative buying in the first few minutes of trading, prompted by the weekend promise of Mr Banharn Silpa-archa's, prime minister, to resign within seven days.



The Thai baht was slightly firmer in spot trading, closing at B25.383 to the dollar, compared with B25.390 on Friday. The central bank's official mid-rate was B25.39, up from B25.38 on Friday. Interbank rates also fell slightly to 14 per cent, down from 14.5 per cent on Friday.

Traders said the euphoria caused by Mr Banharn's promised resignation had given way immediately to fears that Gen Chavalit, if he became prime minister, would be unable to shake off personal interests and influences dominating the six-party coalition and to form an economic team that would inspire confidence.

"People have had time to think about what comes after Banharn, and who the cabinet might be," said Mr Sushel Narula, head of research at Seismic Securities. "Rumours will dictate the market until we really know what's going on."

A spokesman for Gen Chavalit's New Aspiration party said a new prime minister would not be announced at least until after today's cabinet meeting, when a host of large infrastructure projects are likely to be approved. The cabinet is unlikely to approve new banking or insurance licences promised by the Banharn government, but held up by corruption allegations.

Other politicians said negotiations over cabinet portfolios were intense, with Mr Banharn threatening to dissolve parliament and call new elections if he and his Chart Thai party were not given enough positions in the new cabinet.

For example, Mr Banharn said he wanted the education ministry portfolio reserved for his daughter Kanchana Silpa-archa, also an MP, despite her role in a land scandal that helped bring her father down.

Mr Sanoh Thienthong, Chart Thai secretary-general and widely seen as one of the darkest figures in Thai politics, was also demanding the powerful interior ministry post.

A Bhutto death too many for PM?

Farhan Bokhari and Khozem Merchant on what it may mean for Pakistan's leader

The chants of "Benazir, Benazir, what have you done?" that accompanied the burial of Mr Murtaza Bhutto, brother of Pakistan's prime minister Ms Benazir Bhutto, were an emotional reminder of the bitter divide that has marked the country's most celebrated family.

Ms Bhutto is said to be deeply traumatised by the killing of her estranged brother who, along with six of his supporters, was shot in a gun battle with police in Pakistan's biggest city Karachi on Friday.

The police claim that private guards driving ahead of Mr Bhutto's jeep opened fire first. Mr Bhutto's breakaway faction of his sister's ruling Pakistan People's party claims that he was "assassinated" by the police without provocation.

This may be one killing too many for a prime minister whose father was hanged by the regime that overthrew him and whose other brother, Shah Nawaz, died from poisoning a decade ago in suspicious circumstances.

Some observers are beginning to wonder whether Ms Bhutto will now quit before the next election in 1998. Her disenchantment with domestic politics is widely known.

For more than two years Islamabad's worst-kept secret has been her desire to make a dignified exit from domestic politics and pitch for a job as an international civil servant.

"Benazir Bhutto perhaps now faces her most difficult moment. If the outcry grows in Sindh [the country's second largest province, the heartland of Bhutto support and a hotbed of nationalism], then Pakistan's opposition may gang up to exploit



Supporters of the slain brother of Benazir Bhutto (inset) set fire to a police vehicle in Lahore yesterday

the situation and try to remove her government," says a senior western diplomat in Islamabad.

The army, which has ruled Pakistan for most of the country's 60 years' existence and remains the power behind the throne, is increasingly anxious about what senior staff see as the public's diminishing confidence in Ms Bhutto.

There is likely to be a dignified silence while the family mourns. But Pakistan's main opposition leaders are expected to lose no time in adding further political woes to Ms Bhutto's personal discomfort.

The Bhutto siblings' rivalry was long, bitter and ultimately tragic. Murtaza returned to Pakistan in 1983 after a 16-year self-imposed exile. He had lived in Syria for many years and as head of the Al-Zulfikar terrorist group skirted around the international terrorist set and was behind at least one airline hijacking in the 1980s. Last year, backed by his mother Mrs Nusrat Bhutto, the Bhutto matriarch, he set up a rival faction of the ruling PPP, accusing his sister's government

of corruption and misrule. But his splinter party, attracted no PPP heavyweights and posed little political threat to Ms Bhutto, who had firmly grasped the mantle of their father Zulfikar Ali Bhutto after he was executed by the former military ruler General Muhammad Zia-ul-Haq in 1979.

But Murtaza's behaviour has remained an embarrassment. At the same time Mrs Nusrat Bhutto had sided with her son against her daughter, whom she accuses of behaving like a dictator.

This was a family at war. Meanwhile the Pakistan Muslim League, the vehicle of Mr Nawaz Sharif, the former prime minister, and the country's main opposition party, has called a parliamentary debate on the breakdown of law and order - given a chilling urgency yesterday when 21 Sunni Muslim worshippers died in a gun attack on a mosque in the central city of Multan.

While a vote of no-confidence is unlikely, signs of a rift between Ms Bhutto and Mr Farooq Leghari, the president, have encouraged opposition leaders to think that the president may sack the

government if the situation in Sindh deteriorates. He would have to call fresh elections within 90 days.

Mr Leghari's decision this week to ask the supreme court for clarification as to whether he needs to take the prime minister's advice on the appointment of judges, has added to the speculation that he is trying to curb the government's powers over judicial appointments.

Mr Gohar Ayub, the deputy opposition leader in Islamabad, says: "It appears that the president has decided to establish his independent position". The political jockeying is unsurprising but will be accelerated by Ms Bhutto's tragedy.

What will not help is the fact that Ms Bhutto's husband Mr Asif Ali Zardari - the target of chants of "you are a murderer" at the funeral of Murtaza Bhutto - has proved a source of enduring embarrassment to Ms Bhutto's government since she appointed him investments minister recently. He is deeply disliked.

Ms Bhutto is already beset by economic difficulties that forced her to impose a tough

budget for 1996-97 in the hope of persuading the International Monetary Fund to resume disbursements of a stalled \$600m standby loan. The rupee was devalued earlier this month to address a rising trade deficit and another devaluation is likely in the autumn, say economists.

The economy cannot do without IMF disbursements yet Ms Bhutto's stewardship has displeased the Fund. Her earlier administration was dismised by the president for mismanagement.

Ms Bhutto may reasonably claim credit for taming Karachi, where sectarian violence claimed 2,000 lives and brought the city to a standstill. But all this will count for nothing if Sindh now explodes.

Local Sindh parties have called a strike aimed at the prime minister and Mr Zardari whom they accuse of conspiring against Mr Murtaza Bhutto. These protests, still scattered, are an important indication of a possible shift of loyalties in Sindh which was at the heart of Ms Bhutto's campaign in the 1990s for the restoration of democracy.

Seoul to keep N Korea sub

South Korea yesterday rejected a demand by North Korea that it return a submarine and the bodies of its crew which had intruded into South Korean waters.

In its first public comment on the submarine incident last week, North Korea claimed that the vessel had been on a routine training mission when it developed engine trouble and drifted on to rocks on South Korea's east coast.

"Since the vessel ran aground, our troops appear to have had no alternative but to land ashore and, given they landed on enemy territory, there seems to have occurred armed clashes."

The South Korean defence ministry dismissed the statement as "absurd", explaining that the intrusion was a "carefully premeditated act of provocation".

The defence ministry believes that the submarine was trying to land reconnaissance commandos when it ran aground. Twenty North Koreans have been killed or found dead since they fled from the submarine on Wednesday, while one has been captured. Three South Korean soldiers have died in gun battles as they searched for possibly five other survivors. A mushroom picker was killed yesterday by South Korean troops who mistook him for one of the North Korean fugitives.

South Korea's national assembly passed a resolution condemning the intrusion as a "clearly armed provocation aimed at unifying the country by commencing the South." It urged the government "to ferret out North Korean spies who have sneaked into the South" and "prevent insidious moves by forces sympathetic to North Korea."

John Burton, Seoul

Vietnam to let dong slide

Vietnam will allow its currency, the dong, to depreciate gradually and cut interest rates in the coming months to bolster economic growth and reduce the country's growing trade deficit, the head of its central bank said.

The official Vietnam Investment review quoted Mr Cao Si Kiem, president of the State Bank, as saying the exchange rate adjustment was necessary to save the economy from shock.

The official exchange rate of Dong 11,022 to the US dollar has been little changed for the last two years, which has pushed up its real value. Vietnam ran a trade deficit of \$3.25bn in the first eight months, well above the \$2.29bn deficit for 1995 as a whole. Government officials have said one reason for the deficit was the import of capital goods connected with foreign investment, but this has been slow to produce benefit in the form of increased exports of manufactures. A big fall in inflation to 3.2 per cent in the year to August compared with 18.4 per cent a year earlier has created leeway for lower interest rates, though economists warn some of the benefit could be dissipated if looser monetary policy encourages spending on consumer goods. Peter Montagnon, Asia Editor, London

Filipino remittances surge

Remittances from overseas Filipinos surged by 57 per cent to \$3.48bn in the first half of 1996 underlining the Philippine economy's growing reliance on income from abroad to contain the country's current account deficit. The sudden increase, which economists attribute to a combination of stronger confidence in the Philippine economy and improvements to the country's banking system, is expected to keep a lid on the current account deficit which hit 2.5 per cent of gross domestic product in 1995. Without remittances the deficit could have been as high as 8 per cent of GDP last year say economists.

An estimated 4m Filipinos are employed overseas, of which most are either domestic servants working in the middle east and southeast Asia or menial labourers elsewhere. But more than 70 per cent - or \$2.5bn - of the cash remitted in the first six months came from Filipinos in the US, of whom a large number are professionals in law, medicine and business. Edward Luce, Manila

Malaysia announced yesterday that it recorded a \$962.5m (\$250m) trade deficit in July. This compared with a downwardly revised surplus of \$855.4m in June. James Kyng, Kuala Lumpur

Hong Kong's inflation rate fell to a nine-year low of 4.9 per cent in the year to August, at least partially reflecting a weakness of demand in the economy which has already been demonstrated by sluggish retail sales and restaurant receipts. Louise Lucas, Hong Kong

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Singapore sets the stage for telecom reform

By James Kyng in Kuala Lumpur

Singapore announced yesterday that a new basic telecoms competitor or possibly two new competitors, including foreign ones, would be allowed to operate in the city state from the year 2000. This will be a big barrier to competition in basic telecoms with Singapore Telecom, the local monopoly.

Mr Mah Bow Tan, the communications minister, said the government would hold a two-stage tender to decide which companies might compete with SingTel on international and local calls, as well as in leased circuits, public switched messages, data systems and voice telephony services.

The licences to be granted represent the widest promised opening of the Singapore telecoms market to date.

The first bite out of the company's monopoly will take place next April, when a local and foreign consortium will begin operating MobilOne, a mobile phone and public radio company.

Foreign companies will be allowed equity participation of up to 49 per cent in companies to compete with SingTel.

Mr Mah said preference would be given to the tender to bidders which plan to invest significant amounts and set up their own telecommunication networks. Industry analysts under-

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

Table with columns for Country (USA, Japan, Germany, France, Italy, UK), Money (M1, M2), Interest Rates (Short, Long), and Equity Yield. Rows show data from 1988 to 1996 for each country.

Monetary growth rates show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous series. Interest rates are short-term, period averages of US - 90-day commercial paper, Japan - 3-month certificate of deposit, Germany - 3-month floor, Denmark - 3-month floor, Italy - 3-month Euro-bill, UK - 3-month Libor, long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

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COMPANIES AND FINANCE: EUROPE

Investor considering listing in New York

By Paul Abrams

Investor, the main investment vehicle of Sweden's Wallenberg family, is considering a New York listing. Mr Claes Dahlbäck, chief executive, said the board would make a decision this autumn, and the listing could take place within the next 12 months.

"We are trading at a 30 per cent discount to our stakes in other companies. That is partly because Swedish institutions have limits on how much they can own in any one company. We need to internationalise our shareholding base, and some funds will only invest in groups with US listings," he said.

Mr Dahlbäck admitted the company would be a curiosity for Anglo-Saxon investors. It has holdings in a variety of Swedish companies, including Astra, the drugs group, Ericsson, the telecoms company, and Incentive, another holding company with stakes in ABB, the engineering group, and Electrolux, the con-

sumer products company. Mr Dahlbäck acknowledged such holding companies were unfashionable. But in spite of possible changes to Swedish laws on capital gains tax - laws which had prevented a cost-effective break-up of investor - there was no intention of dismantling the group.

"However, possible changes in tax law might make a share buy-back possible. We might look at that - perhaps up to 10 per cent of shares," he said. The company has net cash of SKr11bn (\$1.7bn) after the flotation this year of a 65 per cent stake in Scania, the trucks group.

"We do have a *raison d'être*. We are not a conglomerate, because we do not manage our investments. We are an investment trust or an industrial holding company. There are no synergies between the investments, and we're proud of that," Mr Dahlbäck said. "We view ourselves as a mixture of Warren Buffett, Berkshire Hathaway and a Japanese *keiretsu*."

He said investor wanted to rebalance its portfolio, making it more growth-oriented. It was targeting medical technology, telecoms and media, although the group had little experience in this area. It also wants to diversify geographically. About 10 per cent of investments should be outside Sweden by the end of the decade, compared with 2 per cent now.

The company's main purpose was to provide above average returns, he said. "The company has made a return of at least 20 per cent in the past five, 10, 15 and 20 years. Pick any period you want - we have done it," Mr Dahlbäck said.

The group consistently outperformed the Swedish stock market by about 4 percentage points a year, he added. One reason for this record was that the company worked as active owners. "We are prepared to take a long-term perspective," said Mr Dahlbäck. "And our board provides huge expertise - more than 200 years of top-class business experience." Board members include Mr Percy



Claes Dahlbäck: Investor wants to rebalance its portfolio

Barnevik, ABB chairman; Mr Bo Berggren, chairman of Stora, the paper group; Mr Hakan Mogren, chief execu-

tive of Astra, and Mr Anders Scharp, chairman of SKF, the world's biggest maker of roller-bearings.

Holderbank hurt by European weakness

By William Hall in Zurich

Holderbank, the world's biggest cement company, underlined the impact of the recession gripping Europe's construction industry by reporting a 9.5 per cent drop in first-half operating profits to SFr494m (\$388m), in a period when it increased cement capacity more than a fifth, to 76m tonnes a year.

Group turnover rose 15.8 per cent to SFr4.5bn, reflecting the consolidation of new companies. Income from the sale of non-strategic assets more than tripled to SFr128m, offsetting the SFr60m increase in financing charges, and net profit after minorities fell only 8 per cent to SFr217m.

However, earnings per bearer share fell 21.5 per cent to SFr30.60, reflecting the dilutive effects of last year's restructuring. Holderbank has a bigger exposure to fast-growing developing countries than its competitors. However, its traditional strength in this area was insufficient to offset the effects of a cyclical downturn in Europe, which still accounts for more than half the group's sales.

Holderbank's earnings have risen steadily throughout the 1990s but Mr Thomas Schmidheiny, chairman and controlling shareholder, said yesterday that 1996 would not be a "peak year" for Holderbank. "The difficult European economic situation had been compounded by the 'unexpectedly harsh winter', which halted many construction projects for several months.

Holderbank's decision late last year to strengthen its position in Switzerland and northern Italy by buying control of Société Suisse de Ciment Portland and integrating it into the group, had increased its exposure to Europe.

In Switzerland, cement consumption fell 12 per cent. Cement deliveries fell 20 per cent in Germany and 40 per cent in Slovakia. In northern Italy they rose 7 per cent, but this was more than offset by low prices. Holderbank said European profits would be below budget this year.

The downturn in Holderbank's European operations overshadowed the buoyancy of its business in North and South America. US sales of cement and clinker rose 6.6 per cent, to 6.2m tonnes, and in Latin America sales rose nearly a fifth, to 7.1m tonnes, primarily reflecting the first-time consolidation of a Venezuelan company.

Tchuruk outlines his vision of the future

David Owen hears the Alcatel chief's plans for the possible arrival of Thomson

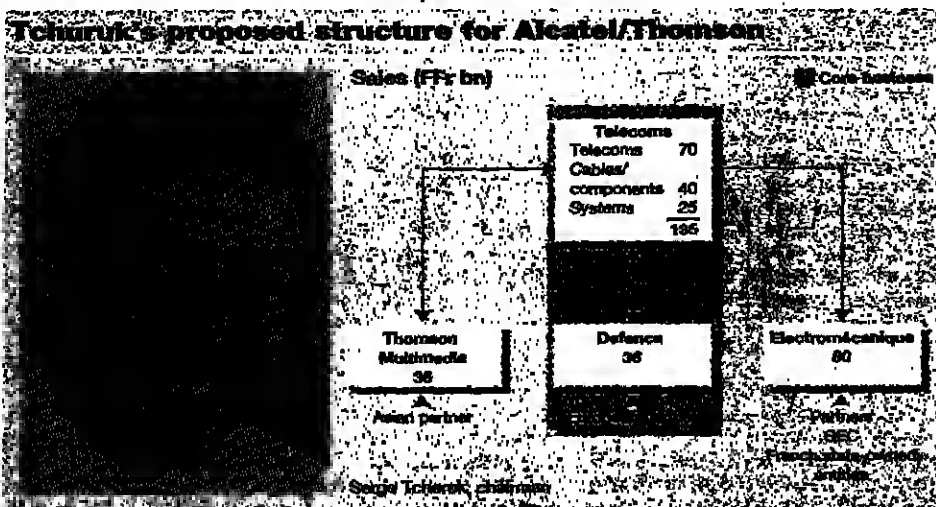
A European industrial structure of impressive breadth and scale; at its heart is telecommunications, while its limbs are planned "large international partnerships" in the defence, consumer electronics and electromechanics sectors.

This, in broad outline, was the vision with which Mr Serge Tchuruk, chairman of Alcatel Alsthom, sought last week to counter market scepticism about the wisdom of his company's decision to bid for Thomson, France's state-controlled electronics group.

Alcatel is competing with Legardère, the French missiles-to-magazines conglomerate, for control of Thomson, which the French state is privatising.

The Alcatel chairman painted a picture of a decentralised organisation capable of creating value by means of technological transfers between its main activities - activities that he argued were increasingly interlinked - and by exploiting its global negotiating muscle.

Mr Tchuruk's plans follow previously announced proposals to merge GEC Alsthom, the power engineering and transport equipment joint venture, with Framatome, the nuclear plant and fuel manufacturer.



"We must not lose sight of the fact that Alcatel is - and remains - a company that is a world leader in the field of telecommunications," he said. But telecommunications were "penetrating pretty deeply into certain industrial sectors such as defence and multimedia", he added.

In defence, he argued, the increased emphasis in modern warfare on speed of action and the need to be able to strike with extreme precision meant "communication techniques... are becoming the key to defence systems". Consequently, increasingly large proportions of hard-pressed defence

budgets were being spent on electronics. In such a context, Mr Tchuruk said, Thomson seemed "favourably positioned" on his analysis, at least 80 per cent of Thomson-CSF's defence activities were in priority sectors.

Nevertheless, a rapprochement with Alcatel could further strengthen Thomson's positions both in the area of software, which was becoming a "determining element" in the defence arena, and in space. Space was becoming an "extremely powerful" factor in defence systems with applications in the fields of

digital technology. The consumer electronics industry, the Alcatel chairman said, was "at the end of one era and the start of another... It is the end of the analogue era and the beginning of the digital one."

However, he said, Thomson Multimedia had weaknesses. One was its relatively small presence in Asia. An Asian partner could help in this respect, and help to improve the competitiveness of the company's products. Mr Tchuruk emphasised Alcatel had no wish to take on the day-to-day management of activities outside its core telecoms operations.

The planned defence, consumer electronics and electromechanical partnerships would, he said, be "independent enterprises", although defence in particular would be "fairly intimately linked" with the telecoms core. "We must build enterprises that have their own real autonomy", he continued. "I have no pretensions to be a federation."

He acknowledged there were "important difficulties" in managing partnerships effectively. "You must avoid the sin of *naveté*", he concluded. "It is important that the new enterprise should have no internal conflicts of interest."

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COMPANIES AND FINANCE: EUROPE

French look to secure Olivetti links

By Andrew Hill in Milan and David Buchan in Paris

France Télécom said yesterday it wanted to secure its links with Olivetti, but refused to comment on a report that it was planning to take a stake in the Italian information technology company.

state-controlled operator. Talks are under way about formalising the agreement, which would give France Télécom a 49 per cent stake in Infostrada. Olivetti and France Télécom reached a draft agreement last month, to take a 70 per cent stake in the domestic phone network of Ferrovie dello Stato, the Italian railway company.

through the company. Doubts about Olivetti's financial position and a series of boardroom changes have undermined the share price in recent weeks, and analysts said any attempt by France Télécom to buy a stake might deter potential investors in its privatisation.

Last week, Mr Francesco Cairo resigned as chief executive of Olivetti, only a fortnight after Mr Carlo De Benedetti, Olivetti's largest shareholder, stepped down as chairman in a row over strategy.

Mr Roberto Colaninno, who takes over as chief executive this week, is an ally of Mr De Benedetti, who established close contact with France Télécom before resigning. Mr Cairo - a former Omnitel chief executive - was closer to Olivetti's US allies, including Bell Atlantic, which has a stake in Omnitel, declined to comment yesterday.

Daimler to sell postal equipment subsidiary

By Wolfgang Münchow in Frankfurt

Daimler-Benz, the German transportation group, plans to sell parts or all of its AEG Electrocom subsidiary, a producer of postal automation equipment, by the end of the year.

AEG Electrocom is the world leader in equipment that allows post offices to sort letters automatically. The company had sales of about DM11bn (\$690m) last year and made a small profit, but Daimler said it no longer formed a core part of the group.

AEG Electrocom is the last company with the AEG name, and one of the few groups to have survived last year's dismantling of the industrial conglomerate. It was formed in 1994 after AEG's acquisition of Electrocom Automation, a Texas-based group.

Daimler said it had received approaches from 24 interested parties. AEG Electrocom achieved an operating profit of DM260m in 1995. In the official report outlining the merger details of AEG's surviving subsidiaries with Daimler-Benz, its operating profit is forecast to rise to DM55m this year, DM110m in 1997 and DM123m in 1998.

For Daimler-Benz, the move is a further step in a series of disposals, including several other AEG businesses in the industrial automation and energy sectors. Other sales included Fokker, the Dutch regional aircraft maker, and Dornier, the German regional aircraft group.

Daimler sold most of these units because they were loss-makers. The reason for the sale of Electrocom is the lack of strategic fit with the group's core business, redefined as activities in the wider field of transportation.

Apart from Electrocom, only three other AEG operations survived within the Daimler-Benz group.

EUROPEAN NEWS DIGEST

UAP to place Scor stake on NYSE

Union des Assurances de Paris, the French insurance group, yesterday said it would place up to 30 per cent of Scor, the reinsurer, on the New York Stock Exchange, in a deal expected to raise about \$300m. The Securities and Exchange Commission was last night on the verge of giving final approval to the listing document for the secondary offering, triggering roadshows to investors in the US and other countries from today. UAP plans to offer 7m of its shares, representing 28 per cent of Scor's capital, while leaving a further 1m - or 4 per cent - with its sponsoring banks for the placement, in case of excess demand. It will use the proceeds to reduce its debt.

Axa and AGF, two other French insurers which formed part of a shareholders' pact, sold their shares in Scor earlier this year. UAP said it would continue to hold its remaining 10 per cent stake in the company after the sale to the long-term, and had developed a number of important commercial links with Scor. Goldman Sachs is global co-ordinator for the operation, and J.P. Morgan is joint co-ordinator.

Gyll denies rift at Volvo Mr Sören Gyll, chief executive of Volvo, the Swedish automotive group, yesterday denied there was a power struggle within the company's leadership over its direction. He was responding to an article in the business weekly Veckans Affärer, which said there was a conflict between those who wanted to radically change Volvo's image and more conservative elements. "Volvo's board, group management and unit management are unanimous behind the strategy which was decided in 1994 and is now being carried out," Mr Gyll said.

Italian fund buys into Ferrari Fondo Interbancario d'Investimento Azionario (Fidia) is to buy 2 per cent of Ferrari from Fiat for L22.4bn (\$14.7m). Fidia is an investment fund owned by Mediobanca, Banca di Roma, Credito Italiano and Banca Commerciale Italiana.

Offers for Azucarera stake Banco Central Hispanoamericano said it had received three offers to buy all of its 49.9 per cent stake in Sociedad Azucarera de Espana, a Spanish sugar group, for a total of about Pta21bn (\$165m). BCH said it had received an offer from Caja Salamanca to buy a 24.9 per cent stake in Azucarera; one from Ebro Agrícolas for 21 per cent, and another from state-owned food group Mercasa for 3.1 per cent. All the offers are for Pta5,100 a share.

Tabacalera in Tabaquiera bid Tabacalera, Spain's state-controlled tobacco group, yesterday entered a bid for control of its Portuguese counterpart, Tabaquiera, in competition with other international groups. The Spanish group has joined with the private-sector company Empresa Madeirense de Tabaco, which operates in the Portuguese islands of Madeira, and the Azores, to bid for the 65 per cent stake being offered for sale by the Portuguese government in the first stage of privatisation. Tabaquiera controls about 75 per cent of the Portuguese market. The Portuguese authorities are expecting at least \$532m (\$207m) from the sale.

Merger speculation over Swedish banks

By Greg Melvor in Stockholm

Shares in Sweden's two largest banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, were the target of intense investor speculation yesterday following Swedish press reports that the two had held tentative discussions over a possible merger.

The banks declined to comment, dismissing the reports as "rumours". But their refusal to issue denials heightened the belief in Stockholm that talks were in progress, fuelling heavy trading in their shares.

Both stocks rose sharply initially, before falling back in later trading, although still outperforming a 1.3 per cent fall on the Stockholm

bourse. Handelsbanken's most-traded A share rose 0.6 per cent to SKr155.50 and SE-Banken's A share advanced 0.8 per cent to SKr92.50.

A tie-up between the two would create by far the biggest bank in the Nordic region, with total assets of SKr915bn (\$138bn) and combined operating income of SKr29bn. It would mark the initial step in a long-awaited restructuring of the Swedish banking sector, which has struggled off the ill-effects of a loan-loss crisis in the early 1990s.

The move would also mirror a broader Nordic rationalisation trend which last year saw Finland's two largest banks, Kansallis-Osake-Pankki and

Unitas, merge to form Merita. The talks, said to be at a preliminary stage, were reported to have been initiated by SE-Banken. Controlled by the Wallenberg industrial dynasty, it recently lost the mantle of Sweden's leading bank to Handelsbanken after suffering deep problems during the banking crisis.

Analysts suggested the two would be a good fit. Handelsbanken's focus is retail banking, where it has a wider Nordic presence than SE-Banken. SE-Banken is strongest in investment banking, through its highly profitable Enskilda Corporate division.

Mr Peter Thorne, banking analyst at Paribas Capital Markets in London, said a

merger would be "a very logical move". He predicted it would provide the firepower to compete against bigger European banks once capital markets were integrated following the introduction of a European single currency.

"[Handelsbanken and SE-Banken] need all the advantages of scale and weight that they can get. A tie-up would mean there was one dominant bank at the national level, following the trend we have seen elsewhere in Europe," he said.

Another compelling argument is the stagnant domestic lending market, where fierce competition has precipitated a steady erosion of net interest margins for all Sweden's big banks.

The biggest challenge is likely to be bridging the cultural divide between the two. SE-Banken has a reputation for a more centralised and proactive approach to lending. Handelsbanken, which is controlled by a number of Swedish and foreign institutions, has tended to pursue a more decentralised but cautious strategy.

Each of the two plays an important role in wider financial spheres which exert a powerful ownership role in many of Sweden's best-known international corporations.

Last year SE-Banken made operating profits of SKr2.6bn from net income of SKr1.5bn. Handelsbanken reported operating profits of SKr1.7bn on net income of SKr1.37bn.

Tractebel rises 10% ahead of SGB deal

By Neil Buckley in Brussels

Tractebel, the Belgian energy and engineering group, announced net profits up 10.3 per cent to BFr7.51bn (\$242.2m) in the first half of the year. The group is shortly to come under full control of Belgium's biggest holding company, Société Générale de Belgique.

Net results were flattered by an increase in extraordinary gains, from BFr1.88bn to BFr6.62m, which was largely because of the BFr975m flotation of part of Tractebel's stake in Sipex, an integrated circuits com-

pany which is quoted on the US Nasdaq exchange. The net current result before exceptional gains was flat at BFr6.64bn, against BFr6.62bn last year, with a small increase in the pre-tax profit offset by a higher tax charge. Group turnover increased 6.5 per cent from BFr151.7bn to BFr161.7bn.

SGB announced last week that it was purchasing stakes totalling 25 per cent in Tractebel from Groupe Bruxelles Lambert, Belgium's second-largest holding company, and Royale Belge, the insurance group,

for BFr49bn, or BFr14,500 a share. The deal takes SGB's total stake in Tractebel to 65 per cent, although it already had de facto control with 40 per cent of shares and the right to appoint the chief executive. A further 2 per cent is held by AG Group.

In spite of speculation before SGB's purchase that it would be obliged by Belgium's Banking and Finance Commission to make a full bid for Tractebel, the remaining 38 per cent of the company will continue to be traded on the Brussels bourse. Tractebel shares closed yesterday at BFr14,750 - down 0.83 per

cent on the day - before the company released its results. Although Tractebel's results are usually higher in the first half than the second, owing to the seasonal nature of some of its activities, the company expects full-year profits to exceed those for 1995.

The group, which controls 44.6 per cent of Electabel, the electricity generator and utility that is Belgium's largest company, said it was expanding internationally, with stakes in electricity and gas projects in Chile, Thailand, Singapore, the US, Kazakhstan and China.

Advertisement for Citibank featuring a world map and 39 award categories: Best Bank, Best Bank in Emerging Markets, Best Bank in Asia, Best Bank in Latin America, Best Bank in Western Europe, Best Bank in the Middle East, Best Bank in Africa, Best Foreign Bank in Argentina, Best Foreign Bank in Canada, Best Foreign Bank in Hong Kong, Best Foreign Bank in Japan, Best Foreign Bank in Mexico, Best Foreign Bank in Thailand, Best Foreign Bank in UK, Best Foreign Bank in USA, Best Foreign Bank in Australia, Best Foreign Bank in Czech Republic. Text: 'Once again Euromoney has recognised Citibank for excellence in 39 categories, including overall Best Bank. Recognition of Citibank's unique understanding of global strategies and solutions. And a deep commitment to excellence in every country for every client. So instead of remembering all 39 categories, make it easy on yourself. Just remember Citibank.'

Holderbank hurt by European weakness

END US YOU NN PAPER





**Half yearly results marked by adverse agricultural raw materials environment**

The Board of Directors of ERIDANIA BEGHIN-SAY met on September 18th 1996 under the chairmanship of Mr Stefano MELONI. Consolidated accounts for the half year ended June 30th 1996 were reviewed and approved. The essential consolidated figures are the following:

(in French Francs million)	June 30th 1996	June 30th 1995	% Change
Net Sales	25,902	24,545	+ 5.5%
Operating Income	1,675	2,042	- 18.0%
Pre tax income from continuing operations	1,150	1,519	- 24.3%
Net income - Group share	745	825	- 9.7%

Net sales growth over the previous year's first half was mainly the result of the consolidation of Cerestar USA (formerly American Maize Products) acquired in November 1995. Otherwise, internal growth was slight and the net impact of foreign exchange translation was not significant.

The decline in operating income was caused by the impact of an adverse agricultural raw materials environment: poor 1995/96 crops (notably Italian sugar-beet, Spanish olives and U.S. corn) caused lower profitability for the Italian sugar business, which had been outstanding in 1995, a squeezing of margins in the oilseed and in the olive oil businesses and poor results at Cerestar USA.

Thanks to stable net financial expense and to continued tax planning measures, net income (group share) declined less than operating expense during the period.

Total shareholders' equity at June 30th 1996 amounted to FF 18,931 million, virtually unchanged compared to December 31st 1995. Net financial debt stood at FF 11,750 at June 30th 1996 versus FF 13,011 at December 31st 1995, thus resulting in an improvement of the debt/equity ratio (0.62 versus 0.68), attributable to the seasonal nature of the Group's activities.

The most significant event of this first half was the signing by ERIDANIA BEGHIN-SAY on June 28th of a contract for the acquisition of Compagnie Française de Sucrerie (CFS), France's third largest sugar producer representing more than 10% of the national sugar quota. Upon completion of the sale of certain CFS assets and liabilities to Générale Sucrière and five agricultural co-operatives, ERIDANIA BEGHIN-SAY will retain 48% of the assets and liabilities and integrate the business into its French sugar division. Payment for the acquisition was effected on July 1st, thus the resulting indebtedness is not included in the June 30th 1996 figure.

Prospects for the full year are encouraging; the various harvests underway and the impact of recent restructuring decisions hold out the promise of a better second half.

**MONTEDESON GROUP**

**COMPANIES AND FINANCE: ASIA-PACIFIC**

**SCMP bolstered by asset sale**

By Louise Lucas in Hong Kong

South China Morning Post (Holdings), publisher of Hong Kong's leading English language daily, yesterday posted a 20 per cent rise in net profits, from HK\$80.06m to HK\$96.87m (US\$90m) in the year to June 30.

However, the results were flattered by an exceptional item of HK\$180.99m from the sale of the company's former headquarters building. They are further distorted by the contribution of TVE, a property and media group acquired by SCMP earlier in the year.

Ms Elisabeth Gou, research analyst at UBS Securities, estimates the two and a half month contribution from TVE at HK\$15m.

The figures show that SCMP's strength in the niche market of English readers has given it the edge over competitors in surviving last year's increase in newsprint costs and dwindling advertising revenues.



Robert Kuok: expects improvement during year

"They've emerged from this past year reasonably unscathed," said Mr Rob James Capel, analyst at HSBC. He said the cost had been a drop in operating margins from 55 per cent to a still-environmental 42 per cent.

While the territory's Chinese language newspapers were engaged in a price war, the SCMP was able to lift its



cover price by HK\$1 to HK\$7 to offset the rises in newsprint costs. It won another advantage on June 30 when the Eastern Express, Hong Kong's third English language daily, folded.

SCMP painted an upbeat picture for the coming year. Mr Robert Kuok, chairman, expects an improvement in the economy as retail and property markets pick up, unemployment falls and visi-

tors descend on Hong Kong for celebrations around the June handover to China, and the IMF conference in September. The group will also benefit from lower newsprint costs and a full year's contribution from TVE.

Analysts, who are broadly looking for a 30 per cent rise in profits next year - after stripping out last year's exceptional item - support the rosy outlook. "Advertising volume growth should be strong... they've bottomed out from February 1996 and the latest independent numbers confirm that for the first seven months of the year SCMP advertising revenues have been up around 10 per cent year-on-year," Mr Fung of HSBC said.

Excluding the exceptional item, SCMP's earnings per share fell 14.9 per cent from 38.67 cents to 33.22 cents for the year to June 30. The directors are recommending a final dividend of 13 cents a share, maintaining last year's final payout.

**Bank Negara puts date on domestic share listing**

By Manuela Saragosa in Jakarta

Bank Negara Indonesia, Indonesia's largest bank, kicked off a domestic roadshow for its initial public offering yesterday with an announcement that it plans to list shares on domestic exchanges on November 29.

The state-owned bank is looking to sell 1.085bn shares, or 25 per cent of its paid-up capital. Officials familiar with the IPO say the bank needs to raise about Rp600bn (US\$45m). Pricing will be decided on October 24 and the share offer period will be November 6-11.

BNI president director, Mr Widagdo Sukarnan, said the proceeds would be reinvested in the bank, a move which marks a departure

from the government's usual trend of using privatisations to pay off high-interest foreign debt. The stock will be listed in Jakarta and Surabaya and will include an international tranche.

Mr Widagdo said the shares' pricing would "not be too aggressive". Last year, Telkom, the Indonesian domestic telecoms carrier, was forced to slash the price and size of its offer after international demand for the stock failed to materialise.

An international roadshow for BNI will run from October 14-24, when the bank and Indonesia's state bank sector, will come under the scrutiny of international investors. The choice of a bank to follow the disappointing Telkom IPO is regarded as controversial.

The banking sector's problem loans amounted to 10.4 per cent of outstanding loans at the end of last year, with the average for the private banks standing at 4.9 per cent. By contrast, BNI's problem loans were 7.3 per cent, or Rp1,389.4bn, of its outstanding loans last year, against 5.3 per cent in 1995.

The bank plans to write off between Rp350bn and Rp400bn in problem loans each year, Mr Nono Furonomo, BNI director, said. BNI's loan portfolio was expected to grow by between 14 and 17 per cent this year. BNI expects to post net profit of between Rp200bn and Rp300bn for 1996, after Rp274bn in 1995 and Rp146.2bn in the first six months. Revenues rose 14 per cent to Rp663bn.

**Henderson raises HK\$3.5bn**

By Louise Lucas

Henderson Land Development, one of Hong Kong's biggest property groups, yesterday capitalised on its soaring share price by raising HK\$3.5bn (US\$453m) through a share placement.

The placement was carried out at HK\$84 a share, a discount of 3.4 per cent to yesterday's record close of HK\$86.25. Henderson's share

price has rallied since it unveiled net profits of HK\$4.36bn for the year to June 30, up 18.97 per cent on the previous year and above market forecasts. The results announcement was accompanied by a cash bonus of HK\$1 a share and a dividend payout of HK\$1.43.

Last night's placing of 55m shares, carried out after the market closed, was underwritten by HSBC Investment

Bank Asia and Crédit Lyonnais. The funds will be used as general working capital.

Also exploiting renewed market fervour was Cosco Pacific, a container ownership and leasing company. Cosco yesterday placed 250m shares at HK\$6.20 each, raising HK\$1.55bn. Earlier in the day the company reported net profits of US\$32.4m for the six months to June 30, up 47 per cent.

**India braced for corporate gloom**

Half-year results are expected to show impact of new tax system and sluggish investment

India's corporate sector is poised to report a sharp drop in profit growth for the fiscal half-year to September 30, showing the extent of a slowdown in the economy.

After three years of strong profit growth, the interim results are expected to mark a downturn in the Indian earnings cycle and further depress already gloomy stock market sentiment.

A liquidity crunch following a tightening of monetary policy 18 months ago, the imposition of a minimum corporate tax in the budget in July, a fall in commodity prices, high interest rates, and a rise in administered petroleum prices have combined to depress the bottom line of Indian companies.

The first-half results will provide the first real indication of the degree of the downturn, but most Indian brokerages have already dramatically scaled back estimates for net profit growth in the year to March.

Broker Jardine Fleming India has forecast average net profit growth of 5 to 9 per cent in the half-year to September 30 for the 325 companies it tracks, compared with 40 per cent in the same period last year. For the year as a whole, the forecast is 14 per cent compared with 20 per cent in 1995-96, 57 per cent in 1994-95 and 62 per cent in 1993-94.

Mr David Kadaranch, head of research at JFI, says the results will be the most important of the last three years. "We are definitely in an environment of deceleration of corporate earnings," he said. "Since 1994-95, it has been a question of how much better results would be above expectations. Now we are looking to see how low they will be."

While a rebound in profit

growth is expected as the year progresses, the first-half slowdown is likely to put further pressure on the Indian stock market. Its most prominent indicator, the BSE 30 Index, rose 46 per cent in the first half of the calendar year, from a January low, on the back of a surge in foreign investment.

However, from a June 17 peak, it has fallen back 18 per cent, on a negative reaction to petroleum price rises and the national budget. Foreign investment in domestically-listed shares has dropped sharply amid increasing dependency over the pace of economic reforms, forecasts of slowing corporate earnings, and an easing of economic growth.

Analysts say that even if the results are in line with expectations, the market is

likely to remain flat for at least the remainder of calendar 1996. If they come out worse than expected, as many analysts suspect, the market could slide further.

The first-half results are also expected to provide an important indicator of the extent of the slowdown in India. "It will be important to see just how tight liquidity conditions affected demand in the economy and how long the impact is likely to last," Ms Ritu Gupta, strategist at JFI, says. Most analysts expect gross domestic product growth to slip to around 6 per cent in 1996-97 from 7 per cent in 1995-96.

However, the slowing in profit growth is likely to be felt unevenly in the corporate sector. Mr Vivek Jasuja, analyst with brokers SSKI,

also provide an indication of whether loopholes can be found in the minimum corporate tax. "If there is a way around the tax, Reliance will find it," one analyst says.

Other companies expected to report weaker growth include Reliance rival Bombay Dyeing and Manufacturing Co, as well as aluminium producer Hindalco Industries, Associated Cement Companies and Indian Petrochemicals Corp.

On the flip-side, State Bank of India, the country's biggest commercial bank, is expected to head the best performing companies. Broker SSKI estimates that the bank, which is marketing a \$400m Global Depository Receipt issue, will lift first-half net profit 123 per cent from Rs23.04bn



to Rs51.44bn (\$1.4bn). Many first-half results will be hit by high interest costs, with most corporates now paying interest rates above 20 per cent for finance. Also, many which raised funds in the 1994 Indian stock market boom will report lower interest income, as much of this money has now been depleted through investment in various projects.

However, Mr Jasuja said the slowdown would be felt less in the services sector and among subsidiaries and associates of multinational companies. These were less sensitive to commodity fluctuations and were already corporate taxpayers.

This factor is likely to see the constituents of the BSE 30 Index post higher first-half net profit growth than the market as a whole, given the heavy weighting to multinational and service sector stocks.

Analysts also expect net profit growth to rally in the later part of 1996-97 and rebound to above 20 per cent next fiscal year.

Mr Jyotivardhan Jaipuria, vice-president at Merrill Lynch associate DSP Financial Consultants, says domestic liquidity conditions have eased over the last six months, and this should start to lift corporate bottom lines as the year progresses.

Tony Tassell

**SLIGOS**

**NET INCOME UP 23% ON SALES UP 5% IN FIRST-HALF 96**

The Board of Directors of Sligos, meeting under the chairmanship of Mr Henri Pascaud, closed the company's accounts for the six months ending June 30, 1996.

Excluding changes in scope of consolidation (i.e. excluding CMG), interim sales rose by 4.7 percent to 1,945.7 million French francs. Excluding changes in scope of consolidation and exchange rates, sales rose by a comparable 5.3 percent over the period.

Net income from consolidated companies increased by 23 percent in the first half, to 41.4 million francs. Growth excluding CMG and other changes in scope of consolidation was 42 percent. This net income represented a net margin of 2.1 percent, versus a comparable 1.6 percent in first-half 1995.

Interim financial results were shaped by three factors:

- Strong growth in sales from operations outside France, which now account for 42 percent of the consolidated total.
- The success of new services developed and marketed in the four operating divisions.
- The earnings impact of restructuring and strategic refocusing.

The interim earnings performance provides confirmation of Sligos' development plan, designed to achieve over-market growth and steady improvement in margins.

SLIGOS, A LEADING EUROPEAN INFORMATION MANAGEMENT SERVICES COMPANY

**Atlas Capital Limited**

FF 3,800,000,000

Convertible Floating Rate Notes due 1998

interest rate 8.125% per annum

Interest Period 24th September 1996 to 24th September 1997

Interest Amount due 24th September 1996 per U.S. \$10,000 Note U.S. \$812.50

Interest Amount due 24th September 1997 per U.S. \$10,000 Note U.S. \$812.50

CS First Boston Agent

150,000,000.000

**Province de Québec**

Floating Rate Notes Due 1999

Interest Rate 8.125% per annum

Interest Period 24th September 1996 to 24th September 1999

Interest Amount due 24th September 1996 per U.S. \$10,000 Note U.S. \$812.50

Interest Amount due 24th September 1999 per U.S. \$10,000 Note U.S. \$812.50

CS First Boston Agent

U.S. \$150,000,000

**HSBC American, Inc.**

Floating Rate Subordinated Notes Due 2003

Interest Rate 8.125% per annum

Interest Period 24th September 1996 to 24th September 1999

Interest Amount due 24th September 1996 per U.S. \$10,000 Note U.S. \$812.50

Interest Amount due 24th September 1999 per U.S. \$10,000 Note U.S. \$812.50

CS First Boston Agent

**BANQUE NATIONALE DE PARIS**

Programme for the Issuance of Floating Rate Notes

U.S. \$1,000,000,000

Capped Floating Rate Notes due 2003

Interest Rate 8.125% per annum

Interest Period 24th September 1996 to 24th September 1999

Interest Amount due 24th September 1996 per U.S. \$10,000 Note U.S. \$812.50

Interest Amount due 24th September 1999 per U.S. \$10,000 Note U.S. \$812.50

CS First Boston Agent

**RECRUITMENT**

**INDUSTRIAL LEADERS FOR PRIVATISATION**

**ROMANIA**

Sponsored by the European Union, the Phare programme facilitates reconstruction in Central and Eastern Europe. As part of this initiative, it seeks outstanding individuals whose task will be to facilitate the privatisation of the country's major industrial enterprises.

Working with local general management, responsibility is to the Romanian State Ownership Fund for providing management talent and commercial acumen.

The requirement is for a successful record in corporate recovery, turn-around and disposals preferably in an international manufacturing or process context and in an environment of change. Experience of mergers, trade sales, industrial financing and emerging markets is desirable.

Contracts, for between one and two years, will probably be on a full-time basis. Salaries and expatriate packages will be highly competitive.

For further details and an application form to be returned by 1st October 1996, please fax one of the following European offices of the Accord Group, who are advisers on this aspect of the Phare programme:

Berlin (49-30) 885 61800	Brussels (32-2) 342 80 73	Budapest (36-1) 266 8800	London (44-171) 631 5317
Madrid (34-1) 564 72 78	Paris (33-1) 44 43 98 98	Prague (42-2) 74 2346	Rome (39-6) 691 4216

**How to earn dollars in Istanbul without paying any tax?**

**R&I Bank of Western Australia Ltd**

AC.N. 050 494 454

Undated Floating Rate Notes exchangeable into Dated Floating Rate Notes of which U.S. \$200,000,000 is being issued as the Initial Tranche

Interest Rate	5.975% per annum
Undated Notes	5.975% per annum
Dated Notes	5.8125% per annum
Interest Period	23rd September 1996 to 24th March 1997
Interest Amount due 24th March 1997	
Undated Notes per U.S. \$10,000 Note	U.S. \$ 306.07
Undated Notes per U.S. \$250,000 Note	U.S. \$7,551.74
Dated Notes per U.S. \$10,000 Note	U.S. \$ 293.85
Dated Notes per U.S. \$250,000 Note	U.S. \$7,346.36

CS First Boston Agent

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Dated Notes per U.S. \$10,000 Note	U.S. \$ 293.85
Dated Notes per U.S. \$250,000 Note	U.S. \$7,346.36

CS First Boston Agent

مستقامات الاصول



COMPANIES AND FINANCE: THE AMERICAS

Loewen set to reject \$2.5bn SCI offer Dana looks beyond the auto sector for growth

By Bernard Simon in Toronto

The board of Vancouver-based Loewen Group is expected to give a sharp rebuff at a meeting today to an unsolicited takeover proposal from Service Corporation International, Loewen's arch-rival in the funeral services industry.

However, all signs point to an acrimonious response. "It has all the makings of a battle," one person close to the company said yesterday. Loewen has put out word that SCI bid unsuccessfully for Rose Hills, the Los Angeles-based funeral operator that last week agreed to a \$200m bid by the Canadian company.

SCI chairman, and Mr Ray Loewen, Loewen chief executive, aboard Mr Loewen's luxury yacht. Loewen has suggested a takeover would not be in the interests of either company's shareholders. SCI has proposed a "pooling of interests" arrangement, largely to avoid accounting for goodwill, as would be required in a cash purchase.

price since the Houston-based company first proposed a deal last week. The shares fell 25 cents to US\$41.75 in early trading on the Nasdaq over-the-counter market yesterday. SCI has indicated an offer equal to \$43 a share. However, SCI has limited it may raise its bid and launch a tender offer for Loewen shares.

offer and would have little trouble dissolving Loewen's "poison pill" defences. The pill, adopted in 1990, gives existing shareholders rights to acquire shares at a 50 per cent discount to help fend off an unwelcome bid. Loewen's defences and its ability to finance acquisitions have been weakened by a legal dispute in Mississippi last year, which resulted in the company paying a \$170m settlement.

Dana looks beyond the auto sector for growth

Are the companies that have prospered as suppliers to the US automobile manufacturers in the 1990s about to hit an era of slower growth? That is one of the questions thrown up by last week's ground-breaking deal between Ford Motor and the United Auto Workers union - a deal which, the union hopes, will halt the steady flow of jobs from companies like Ford to non-unionised suppliers.

vehicle sales that had previously farmed out to Dana. The impact of the two-tier wage structure, which will apply only to new workers, may not be felt at a company like Dana for some time. Also, as Mr Ayers points out, Ford is unlikely to want to re-enter capital-intensive operations like manufacturing vehicle frames.

And even in the midst of a surge in US new vehicle sales, Mr Woody Moorcot, Dana's chairman, has his sights set on growth far from the company's traditional US operations. Echoing the consolidation under way elsewhere in the parts industry, Dana has bought 25 companies since the beginning of 1993: that has lifted its international sales from 25 per cent of the total in 1990 to 37 per cent last year, or \$2.8m, pushing it closer to a target of 50 per cent set at the beginning of the decade.

C&W makes waves in the Caribbean

Despite some local disfavour, the region has been good business for the group

When the Sir Eric Sharp Cable and Wireless's cable-laying ship, sailed from Jamaica's north coast recently after completing a fibre optic link with the Cayman Islands, it left controversy in its wake.

Bermuda, the Caribbean and Latin America as the second-largest contributor to the group after Hong Kong. The \$30m Cayman-Jamaica system will be the main link between Georgetown, capital of the Cayman Islands, through Montego Bay on Jamaica's north coast, and to the rest of the world. It was installed to meet the growing demand for improved telecommunications in the Caymans, one of the world's leading offshore financial services centres.

Complaints from businesses in the eastern Caribbean about repeated damage by hurricanes to the region's microwave system led C&W to install a \$60m fibre optic cable from the British Virgin Islands in the north to Trinidad in the south. The system carries the main traffic among the islands, while connecting to existing systems serving North and South America and Europe.

C&W is not the only big telecommunications group which sees good business opportunities in the Caribbean. Telecommunications between the Dominican Republic and Puerto Rico are being improved by AT&T of the US and two Dominican companies, which are constructing a \$30m fibre optic cable.

AT&T is also involved in installing a \$20m fibre optic cable to link the Bahamas to Florida. The system will be owned by AT&T and the state-owned Bahamas Telecommunications Corp,



Percival Patterson rejected calls for a review of licences



charge on local area calls (which were previously free). Installation and rental rates were also increased.

Consumer groups and opposition parties criticised Mr Robert Pickersgill, the utilities minister, for granting the increases, particularly in light of the company's 11.7 per cent rise in net profit to \$48m in the year ended March 31.

Mr Pickersgill said his hands were tied by an agreement between ToJ and the previous government, which guaranteed the company a minimum 17.5 per cent profit on its operations.

Digital offers new workstations

ions have run Unix software and used proprietary reduced instruction set computing (Risc) microprocessors. The new Digital products are based on Intel's latest microprocessor, the Pentium Pro, and run Microsoft Windows NT software.

Prices start at \$3,500 and rise to about \$5,000, and Digital claims the performance is similar to entry-level workstations from Hewlett-Packard, Sun Microsystems and Silicon Graphics.

Traditionally, workstations have run Unix software and used proprietary reduced instruction set computing (Risc) microprocessors. The new Digital products are based on Intel's latest microprocessor, the Pentium Pro, and run Microsoft Windows NT software.

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BUSINESSES FOR SALE

REPUBLIC OF VENEZUELA FOGADE Banco de Venezuela C.A. Announces the public auction of 90.00 % of the shares of BANCO DE VENEZUELA C.A. A Venezuelan bank with assets totaling Bs. 571.98 billion (US\$ 1.2 billion) and shareholders equity of Bs. 115.77 billion (US\$ 245.4 million) as of July 31, 1996.

AGF Privatisation of Assurances Générales de France for the French Republic FF9,000,000,000 J.P. Morgan & Cie S.A. acted as advisor to the French Government and global lead manager of the institutional offering. JPMorgan June 1996 This announcement appears as a matter of record only.

FOR SALE NATIONWIDE FOOTBALL LEAGUE CLUB IN EAST OF ENGLAND. BUSINESS FOR SALE ENGINE & PLANT AFTERCARE - UK TRAINING & BUSINESS DEVELOPMENT - UK



COMPANIES AND FINANCE: UK

Inchcape expects pick-up

By Ross Tieman

Sir Colin Marshall, brought in as chairman by international trader Inchcape in January to revive profits, yesterday predicted a sharp second-half pick-up as restructuring began to pay off.

His promise came despite a mixed performance from its global portfolio of car and consumer product distribution businesses in the half to June 30 that pulled underlying pre-tax profits down 250,000 to 232.5m (\$129m).

The dividend has been cut by 20 per cent to 5.25p, payable as a foreign income dividend. The cut is designed to rebalance the pay-out after last year's reduction in the final dividend from 9p to 4p.

The disposal of the group's testing services business, for an expected 230m, will be completed within weeks, Sir Colin said. Demerger of Bain Hogg, Britain's largest retail insurance broker, through a distribution of free shares to Inchcape investors, is anticipated "before the end of the year". It had a difficult first half, with operating profits down 20 per cent to 230.8m.

Mr Philip Cushing, installed as group chief executive in March, said: "We recognise we have to do more with the existing businesses." He said restructuring had already cut 230m a year from costs. Spared the burden of provisions, pre-tax profits rose from 218.6m to 275.3m. Sales, rose 1 per cent to 2.16bn.



Sir Colin Marshall (foreground), with Philip Cushing: reorganisation helped car import side

Reorganisation benefits were most evident in the company's car importing and distribution businesses, where operating profits rose 67 per cent to 223.2m. Toyota sales gained from the manufacturer's model renewal programme, while losses from Mazda sales in France were staunch.

But operating profits from car retailing fell 17 per cent to 27.5m, thanks to competition for new car sales in Britain, and a weaker market in Singapore. Profits also fell at the marketing operation, which mainly distributes branded consumer and industrial products.

Fringsles crisps came under pricing pressure in Japan, where start-up costs also hampered the Timberland shoe business.

Despite having shed 40 brands and 20 businesses, Mr Cushing said a further production cut was necessary. To improve agility in its markets, management has been moved from London to Asia and the Middle East.

Profits fell 4 per cent to 25.2m in the Coca-Cola bottling business.

Discovery's interest in the Kakap production sharing contract in offshore Indonesia provides some 50 per cent of its production of about 10,000 barrels of oil equivalent a day.

The asset, which Premier said had considerable gas reserves, is adjacent to a field bought by Premier on Friday. The remaining Discovery production is from Australia.

After the deal Indonesia will provide almost a third of the group's production capacity.

The cash offer of 70c a share represents a 17 per cent premium to Discovery's pre-bid price.

Lloyds TSB 'looks for acquisitions'

By George Graham, Banking Correspondent

Lloyds TSB, the UK retail bank, is still looking for insurance acquisitions, Sir Brian Pitman, chief executive, said yesterday.

He also revealed details of the group's £1.65bn (\$1.12bn) buy-out of minority shareholders in Lloyds Abbey Life, the life insurer, in which it already owns 62.4 per cent.

Sir Brian dismissed speculation that Lloyds would immediately sell Abbey Life, LAL's direct sales operation, and said LAL's interest in buying a mutual insurer would not change.

"We shall be growing organically, but if there were further opportunities for acquisition, we would be interested," he said.

The remarks came as Lloyds revealed more details of its offer for LAL, valuing the life insurer at £4.45bn.

Lloyds anticipated cost savings rising to about 250m a year in three years after

putting LAL's insurance, hire purchase and leasing activities with its own.

Until the Lloyds merger last year with TSB, its life, insurance, estate agency and finance house activities were contained in LAL. But these were duplicated by TSB's 100 per cent owned businesses.

The offer comprises six Lloyds TSB shares and £21 in cash for every seven LAL shares, including a 50p per share special dividend to be paid by LAL on completion of the takeover.

Lloyds valued each LAL share at 650p, which represented 2.57 times LAL's net asset value and a premium of 13 per cent over its share price before market speculation intensified.

The offer includes a provision for shareholders to receive cash, instead of up to half the Lloyds TSB shares. Lloyds could pay between £790m-£1.22bn in cash.

Lloyds TSB has been advised by Baring Brothers, and Lloyds Abbey Life by SBC Warburg.

LEX COMMENT Berisford

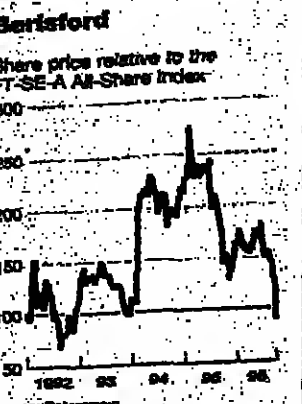
Berisford's ostensible attraction was the deal-making skill of its chief executive, Mr Alan Bowkett.

While Mr Bowkett has only acquired two businesses in five years, investors believed he had bought well. After all, he snapped up Magnet, the kitchen and door manufacturer subject to a £60m management buy-out in 1989, for just £25m in 1994.

Unfortunately, Mr Bowkett appears to be better at buying businesses than running them. After problems at Magnet last year, the group has now discovered trouble at Welbilt, the cooking equipment manufacturer which was Mr Bowkett's other acquisition.

Only three months ago, he said the business was going from strength to strength. A strike and a faulty computer installation, which have exacerbated the situation, could happen to anybody. But with just two main businesses to look after, senior management should have spotted the problem more quickly.

Berisford remains profitable and is even planning to raise its dividend. On reduced brokers' forecasts, it is trading on a derisory seven times 1997 earnings. But without further deals - and it is hard to see it getting City backing at the moment - the group is simply the owner of two dull businesses, which both face overcapacity and margin pressure. That calls for a different kind of management. Mr Bowkett says he would leave without a pay-off if shareholders asked him to. Perhaps they should take him at his word.



German buys help lift SIG

By Patrick Harverson

The first contribution from recent German acquisitions enabled SIG, Sheffield Insulations group, to increase first-half profits despite continued weak demand for building materials across Europe.

Pre-tax profits rose 18 per cent from £12.1m to £14.2m (\$22.2m) on turnover of £209m (£176m). WKT and Golinski, the two German distributors of insulation products acquired this year, contributed more than £24m to turnover and £2.4m to profits.

Mr Bill Forrester, chief executive, said the improvement also reflected the group's ability to protect margins in the face of a 2 per cent decline in sales across its UK, German and French markets.

He said that was achieved by cost cutting and the group's broad product mix, which includes energy conservation products increasingly demanded by government regulations for new buildings.

Turnover and profits in the core insulation business were down slightly before acquisitions at £115.5m and £7.5m respectively.

Xenova's £25m test for the biotech market

By Daniel Green

Xenova, a Slough-based biotechnology company, will test the subdued biotech listing market next month with a £25m (\$39m) share offering.

The company will announce today its intention to add a London listing to its Nasdaq quotation in the US.

It wants the cash to take its experimental drugs to the next stage of development. If successful, this would be the first public listing in London since the failure of Cambridge-based Cambrio to float in July.

Most of the UK biotech sector floated or had rights issues in the first half of the year as share prices rose quickly. But investors spurned the sector when share prices stalled in mid-summer. US investors have shown a similar reluctance to put more cash into biotech in recent months.

Xenova has a market capitalisation of more than \$40m, based on its efforts to extract medicines from natural sources such as plants, fungi and bacteria.

With a UK research base, it has attracted more Euro-

pean investors than many Nasdaq stocks. Mr Trevor Twose, chief financial officer, said about 40 per cent of the company was owned in the UK and the rest of Europe. A London listing would better serve their needs, he said.

The shares will be sold in a placing sponsored by Grigg Middleton, the stockbroker. A pathfinder prospectus is planned for October with dealings starting in mid-November.

The shares are trading at roughly half their best levels depressed by the knowledge that the company would soon have to issue more stock to raise money.

Xenova has about £10m in cash but is spending at more than £6m a year and the rate of spending will have to rise as products enter larger clinical trials.

Xenova was founded in 1987, making it one of the oldest companies in the UK biotech sector. Its main products are in cancer. The most advanced is about to enter the second of the three phases of testing normally required by health regulators.

Premier acquires Discovery

By Jane Martinson

Premier Oil, the UK-based independent exploration group, is set to further enhance its presence in south-east Asia and enter the Australian market with the \$391.5m (\$71.8m) purchase of Discovery Petroleum.

Yesterday's bid for the Australian exploration and production company comes three days after Premier's \$72m acquisition of Sumatra Gulf Oil, an Indonesian oil and gas company, from Chevron International.

Discovery's interest in the Kakap production sharing contract in offshore Indonesia provides some 50 per cent of its production of about 10,000 barrels of oil equivalent a day.

The asset, which Premier said had considerable gas reserves, is adjacent to a field bought by Premier on Friday. The remaining Discovery production is from Australia.

After the deal Indonesia will provide almost a third of the group's production capacity.

The cash offer of 70c a share represents a 17 per cent premium to Discovery's pre-bid price.

Close Bros rises for 21st year

By Nicholas Denton

Close Brothers, the UK merchant bank that now rivals Hambros in market capitalisation, yesterday reported its 21st year of unbroken profits growth but warned of a worsening in business conditions.

"We have had a very benign economic background. We all think it is going to be less so," said Mr Rod Kent, managing direc-

tor. Pointing to the "frothy" symptoms of a market close to its peak, he said: "It is going to get a bit tougher this year."

Pre-tax profits were £45.1m (\$70m) in the year to July, a rise of 30 per cent. Earnings per share, even after dilution by the £53.4m rights, grew 12 per cent to 24.8p.

Profits slightly exceeded analysts' expectations, which had been between £42m and £44.8m, and the

shares rose 2p to 342p in a falling market.

Its outstanding unit was Winterflood Securities, the market-making operation, which contributed 52 per cent of the group's £102m operating profits, compared with 20 per cent the year before. It benefited from a busy market in the smaller company stocks in which it specialises. Close is seeking to expand its fee-earning businesses such as corporate

finance and asset management. It said its new corporate finance business acquired for £1m from Hill Samuel in June, was performing well, but it was still looking for a suitable acquisition in asset management.

The final dividend of 6.8p (5.8p) makes a total of 10p (8.7p).

Analysts forecast pre-tax profits of about £48m, which translates into a p/e of 13.4 times.

Table with columns: RESULTS, Turnover (£m), Pre-tax profit (£m), EPS (p), Current payment (p), Date of payment, Dividends, Corresponding dividend, Total for year, Total last year. Lists various companies like Alcan, Agip, Baxendale, etc.

Advertisement for Homeloan Guarantee Company, Lloyd Thompson Limited, and Centre Reinsurance International Company. Includes logo and text describing services for low income communities.

Advertisement for VCI bid £300m for Man Utd. Text by Patrick Harverson and Raymond Snoddy discussing the takeover bid and its implications.

Advertisement for 'One Annual Report that will be on every boardroom table.' Promoting The FT World Economy Survey, published on Friday, September 27.



TECHNOLOGY



BEHIND THE NET

Shopping on the Internet has been slow to get off the ground. But many believe that it is both inevitable and likely to bring unforeseen consequences. Attention is now focused on intelligent agents, small strings of computer code that manage information on the Internet on behalf of their users. These programs make the flow of information between customers and retailers far more valuable, which could accentuate the opportunities and threats facing retailers on the Internet.

Agents - which are already routinely used for retrieving information and sorting out e-mail - can be trained to recognise their users' preferences. They could reduce the effort involved in Internet shopping by retrieving product and price information tailored for the needs of individual customers.

This has raised concerns that widespread use of agents could destroy pricing differentials for retailers and possibly erode their role altogether by making it easier for manufacturers to deal directly with customers. Others are more sanguine, pointing out that agents will make it easier for retailers to target their customers and will provide valuable marketing information.

Bob Lewis, European market-space manager for International Business Machines, is enthusiastic about their potential. "I think agents have a huge role to play. They are changing the concept of retailing from being totally passive to being totally interactive," he says.

Intelligent agents will be used to record consumers' browsing and purchasing habits on World Avenue, IBM's Internet shopping mall, which is due to open this autumn. The agents will "learn" the types of product that the shopper is interested in and will alter the display accordingly.

At first, this is a matter of displaying, say, a sport shop before a fashion store. In the project's second phase, the agents will be able to make specific suggestions to the individual. For example, somebody who had previously bought a golf club might be asked if they wanted to consider a golfing holiday.

Lewis thinks Internet shoppers will be pleased by the system's ability to treat them as individuals: "People are interested in the interactivity. It gives them a more exciting experience."

It will also offer the retailers new information. When buyers register at the site they will be asked to give information about

THE INTERNET RETAILERS HAVE CERTAINLY GOT YOUR NUMBER



Retailing faces an upheaval caused by 'intelligent agents' on the Internet, writes Vanessa Houlder

# Fingers that shop around

communications and recommendations based on individuals' preferences. Firefly is aware that some people might view these developments as a potential risk to their privacy and has taken steps to address these fears. It uses aliases, network firewalls and log-in encryption to assure them that information is anonymous unless users indicate otherwise.

Andersen Consulting is also tackling concerns that agents could lead to an invasion of privacy. "Privacy is a huge deal and rightfully so," says Steve Johnson, worldwide managing partner of its consumer products industry practice. Last month Andersen launched an experimental agent for its Web page called LifestyleFinder that aims to provide information without requiring personal details about users.

Instead of giving specific details such as gender, income or postcodes, the users indicate

their tastes through answering a series of multiple choice questions. These indicate type of accommodation, favourite activities and what sort of drinks they like. At the end of the questionnaire, the agent lists sites that might interest the user.

The approach is designed to give retailers a new tool for collecting information about consumers that would allow them to target more accurately their customers with specific marketing messages. LifestyleFinder is the latest in a series of experiments into the future of intelligent agents and electronic commerce being conducted by Andersen Consulting. This project began with the release of BargainFinder, an intelligent agent that allows users to compare prices among eight compact disc retailers on the Internet.

This addressed what is perhaps the thorniest issue surrounding the use of intelligent agents in electronic commerce - pricing.

Even without intelligent agents, suppliers are anxious that they could lose business as customers use the Internet to compare prices. Earlier this year a German wholesaler and foreign trade association blamed the Internet for the loss of lucrative niche markets. But comparing prices on the Internet is a laborious task for products that are widely available.

The significance of agents is that, as Johnson puts it, they are "a totally painless way of letting the fingers do the walking". He believes users have found BargainFinder enormously useful. Of the 11,200 Internet users who responded to a survey about BargainFinder, 91 per cent reacted positively to the concept of consumer intelligent agents.

BargainFinder has limitations. It has problems coping with different spellings of artists' names and furthermore, had to be constantly updated to cope with new retailing sites.

A more serious problem was the attitude of some of the retailers. Three compact disc companies blocked the agents, refusing to allow them access to the necessary data.

Their reluctance is understandable, since the system makes it so easy for customers to find the lowest price. Andersen argues that if agents such as BargainFinder are widely adopted by consumers, retailers would be forced to participate unless they wanted to exclude a sizeable segment of the market.

Retailers should be alarmed by these possibilities, according to James Roper of the Interactive Media in Retail Group, a forum for retailers and suppliers. But at present, they are mostly taking a wait-and-see approach. "It is seen as a little bit futuristic at the moment," he says.

# Ford shifts up a gear

John Griffiths on how the carmaker is consolidating transmission R&D

Carmaker Ford has set up a prototype transmission centre in Germany with the aim of cutting nearly 18 months off the process of taking a new manual transmission from concept to production.

The DM40m (£17m) prototype centre at its Merckelich research and development base near Cologne has taken on new significance for the US carmaker under its "Ford 2000" globalisation strategy. The centre has assumed responsibility for designing and developing manual transmissions for all Ford vehicles, irrespective of where they are built. At present Ford, the world's second-largest carmaker, produces 2.4m manual transmissions a year.

Delivery time for a prototype transmission is being cut from 28 weeks to 14 weeks. This reduction is to be achieved by using new techniques which are being installed at the centre, and which have as their focus a Cray supercomputer. When the centre is fully equipped next year, it will be able to build 2,000 prototype transmissions a year.

A modern manual transmission has an average of 120 components, so the pressures on the new targets are considerable, acknowledges Heinz Foellinger, manager of core design manual transmissions, at the centre. Those pressures are being compounded, he adds, by a substantial reduction in permitted engineering tolerances. Already narrowed by nearly 30 per cent over the past five years, maximum tolerances of eight microns are now typical.

A crucial part of the Merckelich project entails linking all its outside suppliers of prototype parts with the centre's database. It is also developing mechanisms to get feedback from the marketplace which will help it improve the feel and quality of transmissions. Ford's dealer

networks now routinely send back data showing up patterns of problems with any particular transmissions, and the centre has begun what it describes as "shiftability surgeries". These quiz drivers on their likes and dislikes.

Transmissions developed at the centre will be placed in both small cars targeted at the developing world and in vehicles for the European market. However, drivers in India or Thailand will not be settling for second-best. Foellinger insists. "There will be no 'engineering down'. Such a driver can expect to get exactly the same standard as a driver in the west. The days of passing on outdated technology have gone; now everyone knows what is second-best."

Automatic transmissions dominate the North American market and other forms of "advanced" transmission - notably the continuously variable transmission - are also being developed in pursuit of wider acceptability.

However, with ever-larger numbers of drivers using mobile phones, hampering their ability to use a manual transmission, there are questions about the long-term future of the centre.

Foellinger stresses that manual transmissions are more than capable of holding their own against automatics, particularly in Europe where automatics have a market share of only 10 per cent. However, he acknowledges that future manual transmissions are unlikely to look much like the familiar centrally mounted gearshift and footclutch. Under new systems, the clutch pedal will disappear, replaced by electronic operation and engine management which will automatically match engine speed to road speed. Gear changing will be by steering wheel-mounted "paddles".

The system can already be regularly seen on TV - on Formula One racing cars.

LAW

# Broadcasting law clarified



EUROPEAN COURT

In two recent judgments, the European Court of Justice has clarified European Union broadcasting law and in particular the position of national authorities when dealing with television broadcasts from other member states.

The judgments arose in the context of infringement proceedings brought by the European Commission against the UK and Belgium. The UK case concerned the jurisdiction of the UK authorities over satellite programmes. Under English law, the UK authorities had jurisdiction when they were broadcast from UK territory.

The Commission's position was that national jurisdiction was established where the broadcaster was established. The relevant EU legislation stated that member states must ensure television broadcasts complied with all the legal requirements, but did not specifically define jurisdiction.

The court said that jurisdiction set out in the EU legislation should be based on the broadcaster's connection with a state's legal system rather than the place of transmission. This was so despite the fact that the Council of Europe Convention on Transfrontier Television used criteria based on the place of transmission, to determine jurisdiction.

The court said this difference in approach reflected the different aims of the EU legislation and the Convention. Whereas the EU legislation was designed to establish an internal market in television services, the latter was designed to facilitate transfrontier transmission and retransmission.

The court also acknowledged that its findings might produce practical difficulties, such as where a broadcaster was established in more than one member state. However, it was suggested that such a problem could be solved by interpreting the concept of establishment as being the place where the

broadcaster had its centre. The Belgian case concerned the requirement of prior authorisations from authorities for the retransmission by cable of television broadcasts from other member states.

The Commission considered that such a requirement constituted a serious restriction on the freedom to provide broadcasting services within the EU. The Belgian government argued that the relevant EU legislation only covered primary television broadcasting and not cable retransmission. However, the court found nothing to exclude cable transmission.

On the issue of compatibility of the domestic law with the relevant EU provisions, the court said first that as a matter of EU law, member states had to ensure freedom of reception and could not restrict retransmission on their own territory of television broadcasts from other member states.

It was therefore solely for the member state from which the television broadcast in question emanated to monitor the application of the law and thereby ensure compliance with the EU provisions and it was not for the receiving member state to exercise its own control. If a member state considered that another EU country had failed to fulfil its obligations under the EU provisions then it could bring infringement proceedings or request the Commission to take action. But it could not adopt unilateral measures designed to obviate any such breach.

The Belgian government argued that the Treaty of Rome authorised restrictions on the freedom to provide services where justified on grounds of public policy, public morality or public security. The court rejected that argument.

C-22/94: Commission v UK; C-11/95: Commission v Belgium ECJ EC, September 10 1996. BRICK COURT CHAMBERS, BRUSSELS

# Glaxo reshuffle boosts regions

Glaxo Wellcome, the world's largest pharmaceuticals company, is reshuffling responsibilities on its executive committee in anticipation of stronger growth from Latin America and the Asia Pacific region.

For the first time, Glaxo's executive committee has a manager responsible for Latin America. Jorge Ramirez, 58, president of Glaxo Wellcome Brazil, Glaxo Wellcome is much weaker in Latin America - it tenth in terms of sales in Brazil and in Argentina - than in Europe and the US, where it is number one.

Separately, James Cochrane, 52, loses his responsibility for commercial development and over-the-counter (non-prescription) drugs to Sean Lanca, 49, the main board member responsible for all regions outside the Americas. Cochrane takes responsibility for Europe, the Middle East and Africa from Lance and reports to him instead of Sir Richard Sykes, chief executive.

Chris Adam, meanwhile, takes responsibility for the Japan region from his previous position as head of Nippon Wellcome, the majority owned joint venture with Sumitomo. Japan is also an area of relative weakness for the company.

Hiroshi Konishi, whose family-owned business has been an equal joint venture partner with Glaxo in Japan since before Glaxo bought Wellcome, continues to report to Sir Richard.

With these moves, Glaxo intends that regional directors such as Ramirez will have a stronger voice close to the top of the companies, with the aim of improving the sales, marketing and production infrastructures in their areas.

Daniel Green

# Credit Suisse moves

Credit Suisse Group has turned, for the second time in three years, to its CS First Boston investment banking subsidiary to find a new chief financial officer. Richard Thornburgh, 44, a US investment banker, will replace Phillip Colebatch, 61, an Australian, who has been appointed chief executive of Credit Suisse Asset Management.

The appointments take effect at the end of the year.

Credit Suisse Group is in the midst of a major restructuring and its top management team has been in a state of flux following the abrupt resignation of Josef Ackermann, president of Credit Suisse, who had been passed over as chief executive of the enlarged group.

Thornburgh, who has been chief financial and administrative officer of CS First Boston for just over a year, had been tapped to be chief financial officer of the enlarged Credit Suisse First Boston. Credit Suisse will now have to find a new chief financial officer for this side of its business.

Thornburgh joined First Boston, which later became the US arm of CS First Boston, in 1978. He has spent most of his career as an investment banker, and his skills as a chief financial officer of a major multinational have yet to be tested.

William Hall

# Mulcahy for WI Carr

John Mulcahy, who this week takes up the reins at WI Carr in Hong Kong, is an industry stalwart with a slightly perverse sense of timing. South African by origin, he began his career in journalism and arrived in Hong Kong in 1984, as the territory was racked by uncertainty over its future. He switched into broking (with Vickers da

Costa) at the time of the global market crash of October 1987 - and moved over to Peregrine Brokerage just in time to see the market plummet, in the wake of the Tiananmen Square repression of June 1989, from his new seat of regional research director.

His timing this time round may prove tricky for the opposite reason. With the Hong Kong market looking distinctly bullish, job hopping is on the increase. WI Carr, the stockbroking arm of Banque Indosuez, has certainly seen its share of musical chairs. With Mulcahy installed as managing director, below the globe-trotting Nick Harbinson, chief executive, the group will be hoping it can stem the flow without paying sky-high salaries.

Louise Lucas

# Hydro-Quebec chief

André Caillé, 53, has been named president and chief executive of Hydro-Quebec, one of Canada's two biggest electric power utilities, ending a period of management turbulence. He moves over from the top job at Gaz Métropolitain, Quebec's natural gas distributor, on October 1. Both business and diplomatic skills will be needed to keep the

utility on an even course. Hydro, which is owned by the provincial government, earned C\$345m in the first half on revenues of C\$4bn. With assets of nearly C\$53bn at June 30, it is three times the size of Gaz Metro. However, it now faces a tricky combination of domestic price regulation, sluggish domestic market growth and deregulation in the north-eastern US, its main export market.

Caillé must complete a restructuring and cost-cutting exercise and at the same time restore public confidence after two years of political interference and management changes, deal with entrenched trade unions, and keep lines open to the separatist Parti Québécois government in Quebec city. Caillé holds a doctorate in chemistry and helped to set up the province's environment department in the 1970s. He moved to Gaz Metro - 68 per cent owned by two provincial agencies and 25 per cent by Gaz de France - in 1982 and became chief executive in 1987.

A new chairman of the Quebec Hydro board will be appointed soon, following resignation of Yvon Martineau a month ago.

Robert Gibbens

ON THE MOVE

CONTINENTAL AIRLINES has named Lloyd Volker as its new chief executive. Volker, the former US treasury secretary, is also a director of American International Group and Ivax Corp. Benjamen becomes the 13th member of Continental board.

Former US Federal Reserve chairman Paul Volcker joins the BANKERS TRUST board. He is also a director of Nestlé, Prudential Insurance Co. of America, UAL and the American Stock Exchange.

Luis Marchena, previously director of desktop product marketing at Intel, has joined PACKARD BELL NEC to the new position of executive vice-president. The company, based in California, consists of the merged personal computer operations of NEC Corporation and Packard Bell Electronics.

Anthony Muller, previously chief financial officer of Centigram Communications, joins MICRO FOCUS GROUP, the US software group, in the same capacity, reporting to Marcelo Gumucio, chief

executive. Ron Forbes, his predecessor, becomes vice-president of international finance, responsible for all financial activities outside north America. Loren Hillberg becomes company secretary, replacing Robert Connors who remains chief operating officer.

Franklin Raines, former vice-chairman of Fannie Mae, has resigned from the board of BOEING to become head of the US federal office of management and budget.

Bernhard Schreier, a member of the management board of Heidelberg Druckmaschinen, joins Germany's LINTAS-HELL on November 1, as chief executive. He replaces Erwin Koenigs, who has asked to leave the company.

Maxwell Asgari, 57, former president and chief executive of Russian operations at Asea Brown Boveri, has been named chairman of the SUN GROUP OF COMPANIES, a Moscow-based investment and asset management company. He also becomes chief executive of SUN BREWING, a Moscow-based company in which Sun is the main shareholder.

Mark Drusch joins DELTA

strategic initiatives.

Christian LeBris, 49, is to head BANK OF AMERICA's private bank in New York. He switches from BoA's corporate side.

Alan Free joins AON GROUP, the insurance brokerage and consultancy, as international security co-ordinator.

Jaques Theurillat, 37, rises to chief financial officer of ARES-SERONO, the Swiss pharmaceuticals company. He succeeds Hans Thierstein, who has retired at 65, but remains group chairman and senior financial adviser.

John MacKay, 56, takes the new position of executive vice-president - Europe at UNITED DOMINIUM INDUSTRIES, US-based engineered products group.

Daniel Abraham, chairman of Slim-Fast Foods, joins the board of WCI STEEL.

WITCO CORPORATION, the specialty chemicals company, has confirmed the appointment of Camillo DiFrancesco as chief financial officer and senior vice-president.

Jean-Louis Raymond joins Belcan retailer GIB GROUP as a general director responsible for day-to-day

management of group activities.

Sean Finn becomes treasurer and principal tax counsel at CANADIAN NATIONAL, Canada's largest, and North America's sixth largest freight railway.

Giora Bitan is resigning after nine years as chief financial officer of SCITEX.

James Callahan has resigned as president of CIBA-GEIGY's US pharmaceuticals unit and chief executive designate of Novartis Pharmaceuticals, the US pharmaceuticals division to be formed from the merger of Ciba and Sandoc.

Donald Ncube, executive chairman of Real Africa Group, adds AMALGAMATED BANKS OF SOUTH AFRICA to his portfolio of non-executive directorships.

Joerg Bickenbach, state secretary of the North Rhine Westphalia Ministry of Finance, Small Businesses and Technology, and Juergen Heraisus, chairman of the management board of Heraeus Holding, join the supervisory board of IKB DEUTSCHE INDUSTRIEBANK.

Yves Lanerville becomes senior vice-president international of SUN LIFE

# INTERNATIONAL PEOPLE

ASSURANCE COMPANY OF CANADA end Robert Sharkey chief actuary.

Gyorgy Szapary has been appointed president of the NATIONAL BANK OF HUNGARY for the next three years.

Viv Bartlett, executive director of South Africa's FIRST NATIONAL BANK HOLDINGS, replaces Barry Swart as managing director.

Thomas Kalaris has been named president of BZW SECURITIES, the US securities arm of BZW, the investment banking division of Barclays Bank.

David Chen joins EATON CORPORATION as president for China, based in Shanghai.

Charles Mallis has been appointed managing director of global financial institutions at BANKBOSTON, the 15th largest bank holding company in the US.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for international People. Set fax to 'line'.



INTERNATIONAL CAPITAL MARKETS

Emu bullishness lifts Europe's high-yielders

By Samer Iskandar in London and Lisa Brunton in New York

US bonds traded quietly yesterday as market participants braced themselves for a possible change today in the Federal Reserve's policy on interest rates.

Europe's core markets, led by Germany, were unsettled by concern over the health of Mr Boris Yeltsin, the Russian president, while high-yielding Italian and Spanish bonds outperformed on renewed Emu bullishness.

German bunds closed lower on profit-taking. Life's December bund future settled at 97.88, down 0.37, while in the cash market, the 10-year benchmark bond lost 0.40 to 100.28.

Analysts divided over likelihood of Federal Reserve rate move

Analysts are split over whether the US Federal Reserve will move to change interest rates today - but a small majority expects a tightening, according to a survey published yesterday.

In the study by NMS International, the research group which is a division of Standard & Poor's, 44 per cent of

433 analysts questioned said they expected no change. A 35 basis point tightening was predicted by 45 per cent, 8 per cent forecast a 50 point rise, one predicted an increase of 35 points and another a rise of 75 points.

Among US institutions, the majority of those in favour of a tightening was

larger, at 57 per cent - of which 6 per cent said they expected a rise of more than 25 basis points.

In Asia, almost half the analysts expected no change, but the proportion of those expecting an aggressive tightening of more than 25 basis points was higher than elsewhere, at 16 per cent.

Europe's high-yielding bonds were bolstered by the weekend's Ecom meeting in Dublin, which revived expectations of yield convergence towards German levels.

Italian BTPTs were firm relative to other markets throughout the day, as the lira rose to less than L1,004 against the D-Mark.

The December futures contract on 10-year bonds was down 0.10, at 105.27.

Analysts said the market was supported by rumours that Spain's chances of joining the single European currency on schedule in 1999 were improving.

UK gilts were also weak, but outperformed German bunds.

Although uncertainty over the US Fed's intentions weighed on sentiment, traders were reassured by the fact that no action had been taken on the UK base rate.

French bonds traded in line with bunds. The Matif's December national future settled at 123.84, down 0.38.

Short-term rates, however, proved more resilient, helped by hopes of further cuts in official rates by the Bank of France.

Philippines sets benchmark with Brady bond buy-back

By Conner Middelmann

The Philippines' Brady bond restructuring closed successfully yesterday, with the government issuing \$600m in 20-year fixed-rate eurobonds, setting a benchmark for other Asian borrowers.

The new bonds were priced to yield 225 basis points over US Treasuries - the lowest-accepted spread bid by investors - reflecting strong demand for exposure to this improving credit.

The Philippines have been able to issue uncollateralised debt at a spread of 225

basis points, compared with 445 basis points on Mexico's recent issue of 20-year bonds - and they have the same rating," noted a syndicate official at lead manager J.P. Morgan.

Both are rated BB by Standard & Poor's and Ba2 by Moody's.

The Philippine offering was buoyed by widespread speculation that its rating is set to improve, after strong economic fundamentals and a recent peace agreement with Muslim guerrillas.

Spreads on Philippine eurobonds have narrowed sharply in recent months - due to the relative scarcity

of bonds from the country and strong demand among Asian investors for local securities.

The Philippines is using most of the proceeds to buy back some \$635m of Brady bonds issued nearly four years ago to replace distressed commercial bank loans.

Lloyd's TSB Group raised \$250m via two subordinated bond issues: \$100m of structured floating-rate notes and \$150m of fixed-rate 15-year bonds yielding 95 basis points over gilts.

Lead manager SBC Warburg said the issues were sold out on the day. The fixed-rate tranche went mainly to UK life insurers and fund managers, with the

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, New, Spread, Bookrunner. Includes entries for Republic of the Philippines, Banque Indosuez, etc.

First terms, non-callable unless stated. Floating-rate note, 6-month annual coupon, R: fixed offer price; less shown at offer level. a) Brady bond exchange offer. b) Callable in Apr 1998 and from Oct 2001 at par. c) 5-year Libor +30bp to Oct 2001, then +100bp. d) Callable from Oct 2001, then +100bp. e) Callable on 20/10/02 at par. f) Over interpolated yield. g) Long 1st coupon. h) Short 1st coupon.

floating-rate part going to corporations, banks, money market funds and other European institutions. The D-Mark sector is preparing for a DM300m floating-rate issue for Komercni

CAPITAL MARKETS NEWS DIGEST

Suez Cement to make GDR issue

A consortium of Egyptian government-owned banks yesterday announced their plans to sell 8.2m shares in Suez Cement in the form of Global Depositary Receipts.

At current market prices, the GDR issue values the company at \$123m. Suez shares closed yesterday at \$53.25. Salomon Brothers has been retained as the lead manager and global co-ordinator for the sale of the GDRs - certificates issued representing the underlying shares.

National Bank of Egypt will sell 4.2m of its shares in the company, and Misr Bank, Alexandria Bank and Banque Du Caire will each sell 1m shares. Assiut Cement, a state subsidiary, will sell a further 1m shares. Mr Mahmoud Abdel Aziz, NBE chairman, said the GDR offer would take place in December, "on a timetable to be announced shortly".

The GDR issue will reduce the government's shareholding in Suez Cement to less than 60 per cent. NBE indicated that another local share offering may accompany the sale.

The state has already floated 23 per cent of Suez Cement to the Cairo market, most of which was bought by partially privatised cement companies. This is the second GDR offering in Egypt. In July NBE floated \$120m worth of shares in Commercial International Bank.

Liffe rises to Emu challenge

The London International Financial Futures and Options Exchange yesterday announced the launch of the first European contract on very short-term interest rates - a futures contract on one-month euro mark rates. The exchange described the new instrument as "part of its strategy in preparation for... economic and monetary union".

Trading in the new futures contract, which will take place on Liffe's open outcry floor, will start on November 21.

"Emu is the greatest challenge facing European financial futures and options exchanges," said Mr Jack Wigglesworth, Liffe chairman. "Part of Liffe's stated Emu strategy is to enhance our range of products, and, in particular, along the D-Mark yield curve."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Date, Price, Day's change, Yield, Week Month Ago, Yield %.

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table with columns: Strike, Price, CALLS, PUTS, Dec, Mar, Oct, Nov, Dec, Mar.

ITALY

Table with columns: Strike, Price, CALLS, PUTS, Dec, Mar, Oct, Nov, Dec, Mar.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Price Index, Mo, D, Ft, Accrued, Yld Adj, % Low coupon yield, % Medium coupon yield, % High coupon yield.

US INTEREST RATES

Table with columns: Treasury Bills and Bond Yields, Price, Yield, Term, etc.

SPAIN

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

UK

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

FT FIXED INTEREST INDICES

Table with columns: Govt. Secs, (UK), Price Index, Mo, D, Ft, Accrued, Yld Adj, %.

GILT EDGED ACTIVITY INDICES

Table with columns: Gilt Edged bargains, % Bid, % Offer, % Bid, % Offer.

BOND FUTURES AND OPTIONS

France

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

ECU

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

US

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

Japan

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol., Open Int.

UK GILTS PRICES

Table with columns: Name, Yield, Bid, Offer, % Bid, % Offer, % Bid, % Offer.

Other Fixed Interest

Table with columns: Name, Yield, Bid, Offer, % Bid, % Offer, % Bid, % Offer.

Other Fixed Interest

Table with columns: Name, Yield, Bid, Offer, % Bid, % Offer, % Bid, % Offer.

Other Fixed Interest

Table with columns: Name, Yield, Bid, Offer, % Bid, % Offer, % Bid, % Offer.

CONVERTIBLE BONDS

Table with columns: Name, Yield, Bid, Offer, % Bid, % Offer, % Bid, % Offer.

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CURRENCIES AND MONEY

Markets hold breath over US interest rates

MARKETS REPORT

By Richard Adams

Anticipation of today's crucial US monetary policy meeting continued to dampen down currency markets yesterday to leave a slow day of trading.

Market analysts were still divided over whether today's Federal Open Markets Committee meeting would result in an increase in the federal funds rate or a discount rate.

The dollar was little moved against the D-Mark. By close of trading in London yesterday the dollar fell slightly, to DM1.5134, from the previous closing level of DM1.5149.

The dollar was also very stable against sterling, with the pound worth \$1.5569 compared with \$1.5581. The D-Mark fell slightly on European cross-rates, as the European Union finance ministers' meeting in Dublin at the weekend supported a market optimistic about European monetary union.

The European currency unit (Ecu) rose to DM1.903, its highest level since 1994, from DM1.900. The French franc rose to FF3.385 against the D-Mark, from FF3.388.

HSBC Markets in London was probably the only institution to headline its weekly market report "Fed tightening - who cares?"

Mr Mark Chiffé, HSBC Markets' chief international economist, argued that a good case could be made for the Fed's cautious approach so far in not raising rates, with a slowing economy and tame inflation.

Mr Chiffé identified a key point of concern: is a rate rise today likely to be a "one-off" or the first of a series of rises? "Unlike 1994, a hike is likely to be a one-off adjustment rather than the first of a series. More importantly, the Fed would probably be at pains to portray it as such."

Mr David de Rosa, the former foreign exchange director at SBC Warburg in New York, now managing partner of Quadrangle Investments in Connecticut, said that the language the Fed decides to use in explaining any rate rise today would make a great deal of difference to asset and currency prices.

Mr de Rosa said if the post-FOMC statement included phrases such as "accommodative stance" or "accommodative stance," then Wall



Street could react by selling assets, driving the dollar down.

"But if the markets read it as a one-off, it will be slightly bullish for the dollar and that's the end of it," he said.

He added: "What they are worried about is not a one-off change, but a series of changes." He said in February 1994, a clearly indicated one-off rate rise, however, would

mean "parties on Wall Street."

Mr Philip Shaw, chief economist at Union Discount in London, said very recent data showing increased new housing sales has led the markets to expect a 25 basis point rate rise.

"The markets may have overpriced its implications," he said. "Against the dollar it rose to SF1.2949 from SF1.2999."

However, comments of the weekend by Mr Bruno Gehrig, a board member of the Swiss National Bank, may have added upward momentum to the Swiss franc.

Whether there would be one rise or two.

Worries about the health of Mr Boris Yeltsin, the Russian president, prompted a brief upwards flurry for the Swiss franc.

Yesterday the franc rose against the D-Mark to SF1.816 from SF1.818.

Against the dollar it rose to SF1.2949 from SF1.2999. However, comments of the weekend by Mr Bruno Gehrig, a board member of the Swiss National Bank, may have added upward momentum to the Swiss franc.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for currency, closing mid-point, change on day, bid/offer spread, and various forward rates for different terms.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for currency, closing mid-point, change on day, bid/offer spread, and various forward rates for different terms.

EURO CURRENCY INTEREST RATES

Table showing interest rates for various Euro currencies (Belgium, France, Germany, etc.) across different terms.

OTHER CURRENCIES

Table showing interest rates for other currencies like the Japanese Yen, Australian Dollar, etc.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table showing exchange rates for various currencies against the US Dollar.

D-MARK FUTURES (DM125,000 per DM)

Table showing D-Mark futures prices and changes.

SWISS FRANC FUTURES (SFR125,000 per SFR)

Table showing Swiss Franc futures prices and changes.

UK INTEREST RATES

LONDON MONEY RATES

Table showing London money rates for various terms.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table showing three-month sterling futures prices.

SHORT TERM STERLING OPTIONS (LFFE) £500,000 points of 100%

Table showing short-term sterling options prices.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

JAPANESE YEN FUTURES (MMY Yen 125 per Yen 100)

Table showing Japanese Yen futures prices.

STERLING FUTURES (MMY £500,000 per £)

Table showing sterling futures prices.

EUROPEAN CURRENCY UNIT RATES

Table showing European Currency Unit rates for various currencies.

NON-ERM MEMBERS

Table showing rates for non-ERM member currencies.

CALLS

Table showing call option prices.

PUTS

Table showing put option prices.

THREE MONTH EURO DOLLAR (EMD) \$1m points of 100%

Table showing three-month Euro Dollar futures prices.

US TREASURY BILL FUTURES (MMY \$1m per 100%)

Table showing US Treasury Bill futures prices.

EURODOLLAR OPTIONS (LFFE) DM1m points of 100%

Table showing Eurodollar options prices.

EURO DOLLAR PUTS (LFFE) DM1m points of 100%

Table showing Eurodollar puts prices.

EURO DOLLAR CALLS (LFFE) DM1m points of 100%

Table showing Eurodollar calls prices.

EURO DOLLAR PUTS (LFFE) DM1m points of 100%

Table showing Eurodollar puts prices.

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Table showing Eurodollar calls prices.

MEMBERS OF LONDON

Table listing members of the London market and their associated banks.

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WORLD INTEREST RATES

MONEY RATES

Table showing money rates for various countries and currencies.

LIBOR FT LONDON

Table showing LIBOR FT London rates for various currencies.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

THREE MONTH EURO DOLLAR FUTURES (EMD) \$1m points of 100%

Table showing three-month Euro Dollar futures prices.

THREE MONTH EURO DOLLAR PUTS (LFFE) DM1m points of 100%

Table showing three-month Euro Dollar puts prices.

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Commercial Property Advertising advertisement with contact information for Courtney Anderson and Nadine Howarth.

Kansai Electric Power Co. advertisement featuring a graphic of a person climbing a ladder and text about sales per employee.

Nippon Meat Packers, Inc. advertisement for CDRS, mentioning the annual report for 1995.

Crystal Castle Euro-Finance Limited advertisement for U.S. \$150,000,000 Guaranteed Asset-Backed Floating Rate Notes.

Fast Fills, Low Rates advertisement for a company providing financial services.

Indian Software advertisement for publishing a survey on Wednesday, November 6.

Spread Betting on Over Equity Markets advertisement for City Index.

Fast 64 Kbit Satellite Technology advertisement for real-time data of the US and European exchanges.



COMMODITIES AND AGRICULTURE

Base metals prices hit fresh lows at the LME

MARKETS REPORT

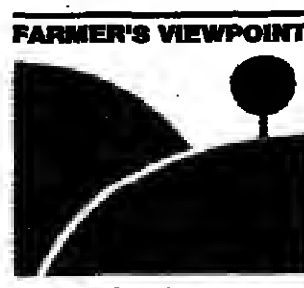
Base metal prices edged above mid-session lows yesterday afternoon on the London Metal Exchange, but still closed lower and were likely to fall further, traders said.

\$20 down from Friday. Traders thought the market would remain weak, given that consumers were adopting a hand-to-mouth, scale-down buying policy.

market fears of a fresh downside assault, dealers said. Palladium fixed at a fresh three-year low of \$116.75 an ounce in the afternoon, down \$2.75 from Friday.

Genetics, ethics and agriculture

Modification of plant breeds should reduce the need for chemical applications



By David Richardson

Prince Charles has been a fan of chemical-free organic farming for many years. Now he tells us (in a speech to the Soil Association a few days ago) that he does not approve of genetic modification.

wide of \$3.6bn of which 11 per cent is spent on R&D by 1,500 of the company's 8,000 employees. Research into biotechnology, leading to genetic modification, accounts for some 30 per cent of total research spending.

The first results of that investment, which began more than 10 years ago, are beginning to emerge. I was taken to fields in Saskatchewan carrying crops of genetically modified canola.

soil. The farmer benefits from cheaper and possibly more efficient weed control and may reap a larger yield. And, of course, AgrEvo will benefit from developing a crop that has to be treated with its own herbicide rather than with products from its competitors.

This means they will also be mixed in consignments exported from the US. Having studied this issue any kind of health problem to UK consumers. But it does create problems of lack of choice and that is regrettable.

Tin producers' group 'needs restructuring' after members' defections

The Association of Tin Producing Countries, hit by resignations of two member-nations over the past week, needs to be restructured to make it relevant, a senior official said yesterday, reports Reuters from Singapore.

be necessary and the ATPC could become a study group for consumers and producers which may also compile statistics for the industry.

leave the organization, he added. Zatre, which now produces no tin at all, has also stopped attending ATPC meetings.

The membership roll is down to just five countries - Bolivia, China, Indonesia, Malaysia and Nigeria. Brazil remains as an observer, having decided to delay joining the group. It says it would be "useless" to join now.

was suspended in May. Another delegate said that under one proposal the free market system would be allowed to continue for another year, and the SRS scheme would be kept in suspension.

be abandoned as nobody followed it. "It has already died," Mr Komoro Mangkusubroto, director general of mining at the Indonesian Mines and Energy Ministry, said last month.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Copper, Lead, Tin, Zinc), price change, and price per tonne.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Maize, Soybeans, Barley), price change, and price per bushel or tonne.

SOFTS

Table with columns for soft commodity type (Cocoa, Coffee, Sugar), price change, and price per tonne.

MEAT AND LIVESTOCK

Table with columns for livestock type (Lime Cattle, Pork Bellies), price change, and price per head or carcass.

JOTTER PAD

Table with columns for market type (Lime Cattle, Pork Bellies), price change, and price per head or carcass.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Natural Gas), price change, and price per barrel or unit.

CRUDE OIL

Table with columns for crude oil type (Crude Oil, Heating Oil), price change, and price per barrel.

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PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

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Volume Data: Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOT, NYCE, CME, CBCE and IFE. Futures Data: All futures data supplied by CME.

Indices: Reuters (Base: 19/9/91=100), CBI Futures (Base: 1997=100), S&P 500 (Base: 1970=100).

London (Oct) 13.20-3.20 +0.20. Brent (Oct) 14.20-3.20 +0.20. WTI (Oct) 15.20-3.20 +0.20.

Gold (per troy oz) \$281.45 -0.15. Silver (per troy oz) \$458.50 +2.00. Platinum (per troy oz) \$2,350.00 +0.75.

Palladium (per troy oz) \$1,176.75 -2.75. Copper (per lb) 96.00. Lead (per lb) 45.00. Tin (per lb) 14,500.00. Zinc (per lb) 1,025.00.

Crude Oil (per barrel) \$22.50. Heating Oil (per barrel) \$22.50. Natural Gas (per 100 cu ft) \$0.50.

Unleaded Gasoline (per gallon) \$1.25. Gas Oil (per gallon) \$1.25. Diesel (per gallon) \$1.25.

High Grade Copper (per lb) \$1.50. Tin (per lb) \$1.50. Lead (per lb) \$1.50. Zinc (per lb) \$1.50.

Aluminum (per lb) \$1.50. Nickel (per lb) \$1.50. Cobalt (per lb) \$1.50. Manganese (per lb) \$1.50.

Iron (per lb) \$1.50. Steel (per lb) \$1.50. Glass (per lb) \$1.50. Paper (per lb) \$1.50.

Textile (per lb) \$1.50. Rubber (per lb) \$1.50. Sugar (per lb) \$1.50. Coffee (per lb) \$1.50.

Tea (per lb) \$1.50. Cocoa (per lb) \$1.50. Soybeans (per lb) \$1.50. Corn (per lb) \$1.50.

Wheat (per lb) \$1.50. Barley (per lb) \$1.50. Oats (per lb) \$1.50. Rice (per lb) \$1.50.

Maize (per lb) \$1.50. Sorghum (per lb) \$1.50. Millet (per lb) \$1.50. Rye (per lb) \$1.50.

Trigo (per lb) \$1.50. Amaranth (per lb) \$1.50. Buckwheat (per lb) \$1.50. Quinoa (per lb) \$1.50.

Speltz (per lb) \$1.50. Kamut (per lb) \$1.50. Emmer (per lb) \$1.50. Enecho (per lb) \$1.50.

Bulgur (per lb) \$1.50. Farro (per lb) \$1.50. Durum (per lb) \$1.50. Semolina (per lb) \$1.50.

Flour (per lb) \$1.50. Starch (per lb) \$1.50. Sugar (per lb) \$1.50. Honey (per lb) \$1.50.

Maple Syrup (per lb) \$1.50. Molasses (per lb) \$1.50. Alcohol (per lb) \$1.50. Vinegar (per lb) \$1.50.

Wine (per lb) \$1.50. Beer (per lb) \$1.50. Spirits (per lb) \$1.50. Perfume (per lb) \$1.50.

Essence (per lb) \$1.50. Fragrance (per lb) \$1.50. Soap (per lb) \$1.50. Detergent (per lb) \$1.50.

Shampoo (per lb) \$1.50. Conditioner (per lb) \$1.50. Hair Cream (per lb) \$1.50. Lotion (per lb) \$1.50.

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Shampoo (per lb) \$1



FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under Bermuda jurisdiction, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)\*\*

Table listing regulated offshore funds under Bermuda jurisdiction.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction with SIB recognition.

GUERNSEY (REGULATED)\*\*

Table listing regulated offshore funds under Guernsey jurisdiction.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction with SIB recognition.

GUERNSEY (REGULATED)\*\*

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GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction with SIB recognition.

GUERNSEY (REGULATED)\*\*

Table listing regulated offshore funds under Guernsey jurisdiction.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction with SIB recognition.

IRELAND (SIB RECOGNISED)

Table listing offshore funds under Ireland jurisdiction with SIB recognition.

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Table listing regulated offshore funds under Ireland jurisdiction.

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ISLE OF MAN (SIB RECOGNISED)

Table listing offshore funds under Isle of Man jurisdiction with SIB recognition.

ISLE OF MAN (REGULATED)\*\*

Table listing regulated offshore funds under Isle of Man jurisdiction.

ISLE OF MAN (SIB RECOGNISED)

Table listing offshore funds under Isle of Man jurisdiction with SIB recognition.

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ISLE OF MAN (SIB RECOGNISED)

Table listing offshore funds under Isle of Man jurisdiction with SIB recognition.

JERSEY (SIB RECOGNISED)

Table listing offshore funds under Jersey jurisdiction with SIB recognition.

JERSEY (REGULATED)\*\*

Table listing regulated offshore funds under Jersey jurisdiction.

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JERSEY (SIB RECOGNISED)

Table listing offshore funds under Jersey jurisdiction with SIB recognition.

IMD executive programs have one of the best PIE ratios. You might find it your best investment yet. Send for your Program Portfolio today.

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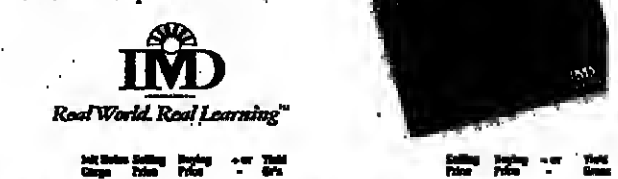


Table listing various international funds managed by IMD, including fund names and performance data.

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FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

Main table containing fund names, categories, and prices. Includes sections for 'LUXEMBOURG (SIB RECOGNISED)', 'LUXEMBOURG (REGULATED)', and 'OFFSHORE INSURANCES'. Each entry lists the fund name, its category, and various price points.

معلومات السوق



FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (+44 171) 874 4378 for more details.

Main table containing various fund names, their performance metrics (Net Asset Value, etc.), and other details. The table is organized into multiple columns and rows, listing numerous investment funds.

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OTHER OFFSHORE FUNDS
AT&T Management
ATA Management
Axa Investment

MANAGED FUNDS NOTES
Please see page 26 for a full list of funds and their details.
This section provides additional information and disclaimers regarding the fund data presented in the main table.



LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

HOUSEHOLD GOODS - Cont.

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HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

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INVESTMENT TRUSTS

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TREACLE advertisement featuring an image of a jar and a plate of pudding, with text: 'In a word, TREACLE. For effective solutions to company car funding and management, the proof of the pudding is in the eating. 0800 269895. ACL. For contract hire and vehicle management. HEAD OFFICE: 24-26 Newport Road, Cardiff CF2 1SR. Fax: 01222 458729.'

مكتبة الصلح



LONDON SHARE SERVICE

RV TRUSTS SPLIT CAPITAL - Cont.

Table listing RV trusts with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

INDIA

Table listing Indian companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies (continued) with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued) with columns for Name, Price, and % Change.

TELECOMMUNICATIONS - Cont.

Table listing telecommunications companies (continued) with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AIM

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, and % Change.

AIM - Cont.

Table listing AIM companies (continued) with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Information regarding the service, including details on company listings, price quotations, and reporting procedures.

Advertisement for Merseyside A Most Attractive Proposition, featuring contact information for Mike Widdall and the phone number 0800 22 0151.

Vertical text on the left margin: '1 year', 'ual that', 'y om', '1996'.

Handwritten Arabic text at the top: 'مكتبة الامم المتحدة'.



LONDON STOCK EXCHANGE

US interest rate gloom upsets share prices

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A black cloud descended over London's equity market yesterday, with marketmakers and investors running for cover and increasingly nervous over the prospects for interest rates in the UK and the US.

The FT-SE 100 index, which came within six points of penetrating the 4,000 level only last Friday, came under sustained downside pressure, with early losses made much worse as Wall Street opened with heavy losses. The pessimism was not con-

fined to stock prices; the market was awash with talk of imminent sizeable job cuts across the big marketmaking firms.

One big securities house parted company with a number of traders last week and one big interdealer broker was said to have "downsized" a number of dealers yesterday. And one of the biggest marketmakers was said to be about to reduce its dealing team by at least 20.

A number of the leading securities houses have long been rumoured to have suffered big setbacks on their trading books during the recent turbulence in the UK stock market. "It's very difficult to see Lon-

don making any progress until the interest rate news from London and the States is out," said the head trader at one of the European securities houses.

The general consensus around the City's dealing rooms was that a rate rise in the UK would come as a shock and deal a big blow to London. But a rise in US interest rates has been expected for some time and expectations of a 25 basis points increase - or even 50 basis points - intensified towards the end of last week, especially after a leading news agency claimed that eight of the 12 regional Fed authorities were seeking a rise in rates. "There was little support for

equities from the gilt market, which remained weak all day, disturbed by the uncertainty over interest rates. Any shift in UK interest rates should be made known this morning.

At the close of trading, Footsie had recorded a 44.4 loss at 3,919.7. Selling pressure was not confined to the leaders: the FT-SE Mid 250 index dropped 33.6 to 4,394.6. Dealers said they expected London to continue to lose ground today, with the FT-SE 100 possibly sliding beneath the 3,900 level. But the general view was that there would be considerable support for UK stocks around the 3,900 mark. "Those institutions that missed out on the run-up to

almost 4,000 will probably take advantage of the setback," said one sales trader.

Some market observers take the view that a rise in US rates will clear the air and lend support to Wall Street, "but that won't be the case in London if UK rates move up," said one strategist.

Turnover in equities proved exceptionally disappointing, reaching a miserable 546.2m shares by the 6pm count. Customer activity last Friday, boosted substantially by expiries in the FT-SE 100 and Mid 250 futures and index options, was a hefty £2.29bn, the heaviest for some weeks.

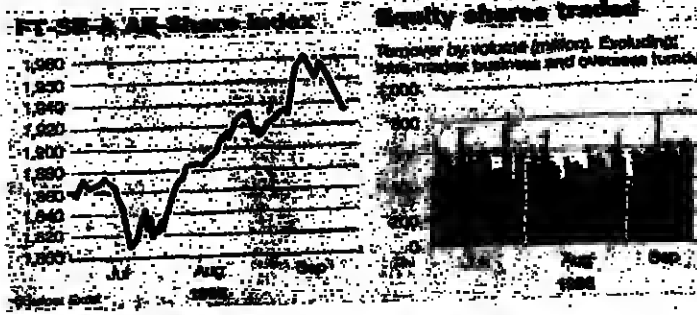


Table with 2 columns: Indices and Rates, and FT-SE 100 Index. Includes data for FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various interest rates.

Stores at turning point

By Peter John, Joel Kibizzo and Lisa Wood

There was significant profit-taking in the retail sector, with some market observers suggesting the stores stocks, strong performers recently, had reached a potential turning point.

Great Universal Stores, fell 14% to 623p, Next 15 to 553p. Marks & Spencer lost 7% to 501p. Analysts attributed this to a note by UK equity strategists at BZW which suggested a tighter monetary policy stance over the next year. BZW, which is understood to have been saying for some weeks that investors should shift from consumer stocks into manufacturing, said in the note: "The sight of general retail stocks falling, as the strongest non-food retail sales figures for eight years were announced, was significant price action."

Lloyds TSB experienced a certain amount of after-party clearing-up yesterday, following Friday's decision by the former to take up the 38 per cent it did not own in the latter.

The full merger is expected to be earnings-enhancing very quickly and at least two brokers, Lehman Brothers and NatWest Securities, took the opportunity to wax lyrical about the bank's prospects.

However, the cheapest way into the merged stock was through Lloyds Abbey, which is not only underwritten by a 300p cash payment as well as Lloyds TSB paper, but was yesterday estimated to be trading at a 10p discount to Lloyds TSB shares. Consequently Lloyds Abbey moved forward 3 to 623p while the bank stock slipped with the broad market to close 6 1/4 off at 372p.

Royal Sun held firm at 397p but General Accident slipped 3 to 677p, CU 4 1/4 to 595 1/4p, and GRE 2 1/4 to 325 1/4p.

Safeway advanced 2 to 324 1/4p, with one analyst speculating that there could be hopes of another share buy-back.

Bass fell 15 to 778 1/2p after media reports on possible areas that the Monopolies and Mergers Commission may force it to make disposals if the latter is to clear the purchase of the majority of Carlsberg-Treury.

PizzaExpress would be a logical extension of its restaurant strategy. Tom Cobleigh, the independent, Yorkshire-based pizza group, added 1 1/4 to 634 1/4p.

Earlier this month, the group bought BT's Hawker Siddeley power business for £12.5m.

However, nearly two weeks after the deal was announced, the market continues to have contrasting views about its likely impact on FKI.

SmithKline Beecham was marginally firmer initially on news that it has won European Union approval to sell its Tylosin combination vaccine for hepatitis A and B viruses in all EU countries.

However, analysts said the sales benefit was difficult to quantify as both vaccines were already available independently. And with global markets falling, the pressure on the internationally-traded stock was too great.

B.A.T. tobacco and financial services group, followed a downward slide by Kletzwor-Benson which cut its recommendation on the stock to "underweight" from "hold". The shares ended 6 lower at 456 1/4p.

FUTURES AND OPTIONS

Table with 2 columns: FT-SE 100 INDEX FUTURES (LFFSE) and FT-SE 100 INDEX OPTION (LFFSO). Includes data for various futures and options contracts.

TRADING VOLUME

Table with 2 columns: Major Stocks Yesterday and FT Gold Mines Index. Includes data for various stocks and the gold mines index.

Union Limited advertisement for 24 HRS CONSULTANTS.

Berkeley Futures Limited advertisement for 38 DOVER STREET, LONDON W1X 3BB.

Market-Eye advertisement for FREEPHONE 0800 321 321.

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SECURITIES AND FUTURES LIMITED advertisement for \$32 ROUND TURN.

KNIGHT-RIDDER'S FUTURES MARKET DATABANK FROM \$670 advertisement.

WANT TO KNOW A SECRET? advertisement for THE L.D.S. Gann Scanner.

FUTURES - TAX FREE advertisement for IGINDEX FINANCIAL.

OFFSHORE COMPANIES advertisement for 1978-90.

FINANCE advertisement for Futures, Options & Commodity.

Signal advertisement for Got real-time quotes, Forex rates.

Petroleum Argus FSU Energy advertisement.

FT Discovery advertisement featuring a fisherman and the text 'Fed up with fishing for business information?'.

FT Discovery advertisement with the text 'The instant way to hook the information you need.' and a list of services.

FT Discovery advertisement with a form for Name, Company, Position, Address, and Office Phone Number.

FT-SE Actuaries Share Indices

Table with 2 columns: FT-SE 100 and FT-SE Mid 250. Includes data for various share indices.

FT-SE Actuaries All-Share

Table with 2 columns: FT-SE 100 and FT-SE Mid 250. Includes data for various share indices.

Hourly Movements

Table with 2 columns: FT-SE 100 and FT-SE Mid 250. Includes data for various share indices.

FT-SE Actuaries 350 Industry baskets

Table with 2 columns: Big & Cap and Mid & Small. Includes data for various industry baskets.

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. The FT-SE Actuaries Share Indices are calculated by FTSE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of stock market data for Europe, including sections for Austria, Belgium, Germany, France, Greece, Denmark, Finland, Italy, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, and the UK. Each section lists various stock indices and their performance.

Rockwell's advanced technology is helping railroads improve performance and promote safety. Rockwell logo and text.

Table of stock market data for Asia, including sections for Hong Kong, Japan, Korea, Taiwan, and Thailand. Lists various stock indices and their performance.

Table of stock market data for the Pacific region, including sections for Australia, New Zealand, and South Africa. Lists various stock indices and their performance.

Table of stock market data for Africa, including sections for South Africa and other regional markets. Lists various stock indices and their performance.

Table of stock market data for the Americas, including sections for Canada and the United States. Lists various stock indices and their performance.

Table of stock market data for the Middle East and other regions. Lists various stock indices and their performance.

Table of stock market data for the US Indices, including sections for Dow Jones, S & P 500, and other major US market indicators.

Table of stock market data for North America, including sections for Canada and the United States. Lists various stock indices and their performance.

Table of stock market data for Indices, including sections for various regional and global indices.

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NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Market Dynamics Hewlett-Packard advertisement. Text: 'If the business decisions are yours, the computer system should be yours. http://www.hp.com/computing'.





NYSE PRICES

NASDAQ NATIONAL MARKET

Continued from previous page. Table with columns: Stock, High, Low, Change, Volume. Includes various financial and technology stocks.

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AMEX PRICES

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Dow weakens ahead of Fed rate decision

AMERICAS

US share prices were lower in quiet trading at mid-session yesterday as Wall Street awaited the outcome of today's meeting of the Federal Reserve's Open Market Committee...

Shares fell at the opening bell with the Dow Jones Industrial Average falling 83.27 points in the first half hour of trading...

By 1 pm, however, the market had stabilised and the Dow was holding a loss of 32.19 at 5,656.27. The Standard & Poor's 500 fell 4.22 at 682.80...

Technology shares were sharply lower yesterday. The Nasdaq composite, which is weighted towards that sector, gave up 8.67 at 1,210.02...

Larger capitalisation companies in the Nasdaq, which propelled the market higher for much of last week, posted losses...

Caracas forges ahead. The weak opening session on Wall Street left most regional markets lower. CARACAS, however, added to Friday's modest gain...

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Rates worries hold back bourses

EUROPE

Leading European bourses traded lower in weak volume as worries about a possible rise for US interest rates laid a restraining hand on activity...

PARIS held up a mirror to the overall trend. The CAC-40 dipped 12.37 to 2,097.09 in turnover which, at Fr2.52bn, was said to be around half the recent daily levels...

Dealers said the market had factored in a rise this week of a quarter point for US rates but that anything in excess of this would probably spark significant selling...

Not helped by a one-day strike call by public sector unions, Peugeot fell Fr14 to Fr769 after announcing more than 100 job cuts...

Millan remained closed for the day after the start of trade was delayed repeatedly during the morning by technical problems...

Volkswagen came off DML50 to DM373.50 in spite of good news from its Spanish unit...

Metro dipped 40 pf to 10.40 after interim results which most observers feel will emerge on Wednesday...

AMSTERDAM ended a lacklustre session with share prices modestly lower. The AEX index closed 4.08 off at 561.67...

Concern for an upward move for US interests hit financial stocks the hardest. ABN Amro came down Fr1.10 to Fr91.70...

Pockets of resistance to the broad decline were rare. An upbeat presentation to analysts allowed the electronics giant Philips to gain 40 cents to Fr59.70...

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ZURICH followed the weak tendency elsewhere in Europe and the SMI index fell 58.4 to 3,655.5, reflecting sharp falls in index heavyweights...

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puts out interims on Wednesday. Alcatel Alsthom added 30 centimes to Fr388.7 ahead of Thursday's interims.

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FT-SE A Share's Share Indicators

Table with columns: Sep 23, Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE 100, FT-SE 250, FT-SE 500, and various indices.

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key money market rate by 25 basis points from the current 7.25 at today's regular repurchase tender. Telefonica rose Ptas to Ptas2,390 while Repsol was unchanged at Ptas4,096.

ATHENS staged a strong opening on the back of Sunday's general election victory for prime minister Constantinos Karamanlis and his party, but fell away later in the day. The general index ended off 5.53 at 958.41.

Brokers said the market, up strongly ahead of the poll, ran into profit-taking after posting initial gains which lifted the general index by 1.5 per cent. Investors were said to have turned more cautious ahead of what is widely expected to be a steep budget statement from the government.

BRISBANE was weak in the absence of domestic news to drive the market and the Hux index lost 11.85 to 2,127.31, with the heavily traded Nokia losing FMO.80 to FMO.94.

MOSCOW dropped 2.8 per cent on the news that President Yeltsin's heart operation may be delayed for up to two months. The Moscow Times index finished 8.58 down at 283.91 as foreign and domestic investors became reluctant to buy.

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Bangkok erases lead as political worries return

ASIA PACIFIC

Political worries stopped investors in their tracks, leaving BANGKOK to reverse initial gains.

The market moved forward strongly at the opening bell, hitting an intra-day peak as a result of the weekend announcement that the prime minister, Mr Banharn Silpa-archa, was to resign.

But by midday there was a rumour that the defence minister, Mr Chavalit Yongchaiyudh, would be taking over the top job and this led to a 16-point rally on his head.

By the close, the SET index was off 11.01 at 1,034.37 in moderate turnover of Bt4.8bn.

The prime minister is to step down in exchange for the support of five coalition partners in a parliamentary no-confidence vote.

However, the first name to emerge in the search for a new leader met with a muted market response.

Investors are sceptical that Chavalit, if appointed, could solve Thailand's economic problems," said one dealer.

There was clear profit-taking towards the close of the session. Finance One, the day's most actively traded stock, dipped Bt50 to Bt99.

Thai Farmers Bank came off Bt40 to Bt37, Ledi and Hovana fell Bt2.75 to Bt22.50.

HONG KONG finished firm but off an intra-day high for the year, with investors said to be already discounting a 25 basis points rise in US interest rates.

HSBC Holdings hit a record intra-day high at HK\$143 before closing up 50 cents at HK\$142.00.

SYDNEY closed lower as investors took profit on a recovery in resource stocks. The All Ordinaries ended off 21.6 at 2,219.3 having traded up to 2,240.8 at one stage.

"With weak base metal prices, no one wants to commit themselves to the market at the moment. Share prices will continue to fall unless we see any improvement in commodity prices," one dealer said.

CRU ended 37 cents lower at A\$18.08. WMC 37 cents at A\$15.82. COLOMBO closed slightly higher in trading dominated

trials lost 19.9 to 8,170.9 and golds came off 16.5 to 1,721.4 in subdued trading as the bullion price drifted lower.

Among leading stocks, De Beers shed 60 cents to R420.55. South African Breweries came off R3 to R126.

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by a handful of blue chips. Good gains by National Development Bank and industrial group Richard Piers helped lift the all share index 1.3 to 574.14.

The two blue chips accounted for well over half the total volume of 796,714 shares. National Development rose R8 to R200 on foreign buying and Piers gained R7.25 to R105 following renewed buying by two major shareholders.

SINGAPORE was pressured by Friday's poor export figures and a lack of buying from institutions, who were awaiting news from today's FOMC meeting.

The Straits Times Industrial index finished down 31.07 at 2,158.79, while two of its constituents, Fraser & Neave and Cycle & Carriage, were down 60 cents and 40 cents at S\$14.90 and S\$15.10.

SEOUL ran into late profit-taking and the composite index closed 0.83 higher at 789.20. Analysts noted that large-cap shares led the day's trading while low-cap shares, which had risen in recent days, underperformed the market.

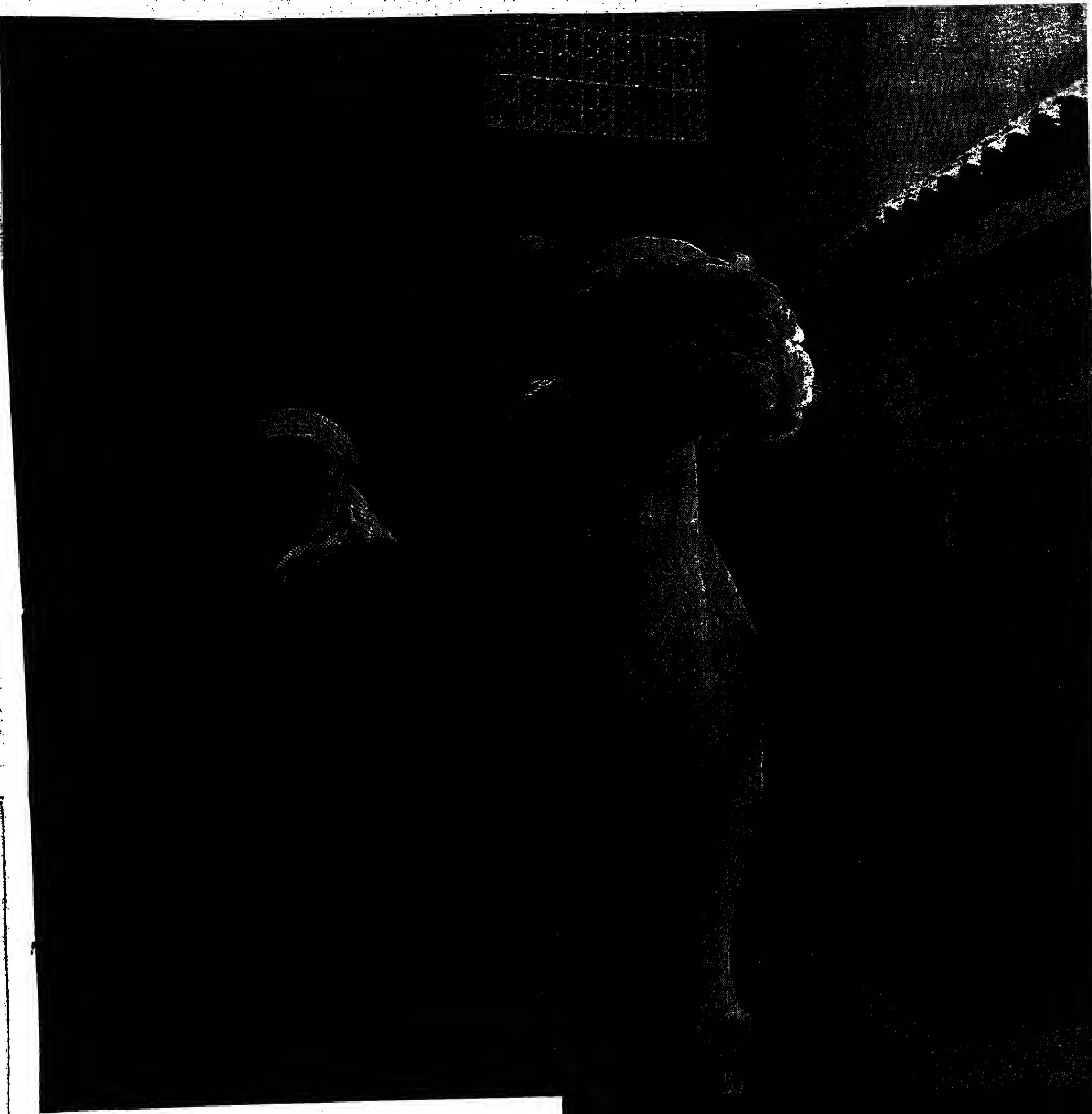
Samsung Electronics picked up Won800 to Won8,900 as local investors positioned themselves for October 1 when the foreign share and the composite index closed 20 per cent from the current 15 per cent. Two cable television operators were heavily traded. Daeh Construction rose Won2,100 to Won3,300 and Midopa added Won800 to Won14,500.

KUALA LUMPUR's blue chips continued to take a backseat to small-capitalisation issues. News that long-awaited July trade figures were below the market's worst expectations failed to inspire the market. The composite index lost 4.09 at 1,126.51, while the small-capitalisation Second Board index turned back from a peak of 619.28 but still closed 1.86 higher at 608.48.

SHENZHEN's hard currency B shares rose 2.2 per cent in spite of a new crack-down on mainland Chinese buying of new B shares.



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NEWS: INTERNATIONAL

Attempts to arrange settlement in dispute over funds have failed

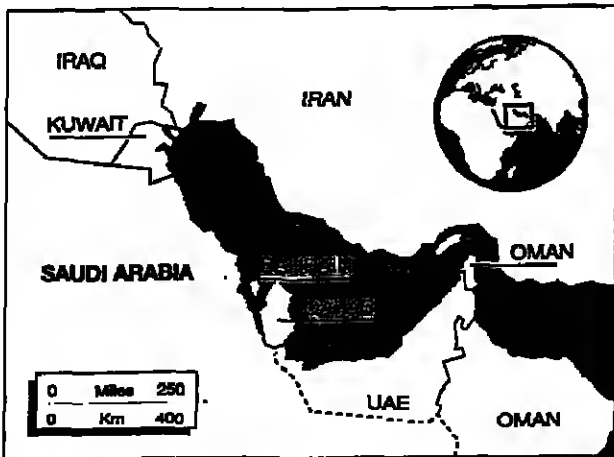
# Qatar to pursue case against ex-emir

By John Mason, Law Courts Correspondent

The emir of Qatar is to press ahead with worldwide legal actions to recover \$3.5bn of state funds allegedly stolen by his father whom he deposed as leader in a coup last year, the Qatar ministry of justice said yesterday.

Attempts to arrange a settlement in the dispute have been unsuccessful and the first court action is now expected to go ahead in London's High Court in January. The Qatar justice ministry said investigations had revealed that "huge amounts of public money had been transferred to private accounts abroad belonging to Sheikh Khalifah, the former emir, and Mr Issa Ghanim al-Kuwari, the director of his office at the time". It did not say how much money was involved. Diplomats have estimated Sheikh Khalifah bin Hamad al-Thani controlled funds of at least \$3.5bn. "Based on the preliminary results of the investigation... the government asked for the legal assistance of several countries to which money was transferred illegally. These accounts were frozen until legal cases by the Qatari government are settled against the two in Qatar and other countries," the ministry said.

The ministry's statement was the first official accusa-



tion levelled by the government against the former emir. Progress is being followed throughout the region and by international bankers who handle Arab overseas investments. The legal issues may be particular to Qatar but the dispute has wider implications for other Gulf states. The current emir, Sheikh Hamad bin Khalifah al-Thani, claims the \$3.5bn was misappropriated by his father over a 14-year period before his overthrow. Legal actions to recover the money have been started in eight countries including the UK, Switzerland, US, France and the Channel Islands. Sheikh Khalifah is vigorously contesting the actions, maintaining in effect that, as ruler, the money was his to do with as he saw fit. "One cannot steal one's own money," he has said in response to the allegations. At the heart of the dispute is the legal role of the Qatar emir and his powers to control the public funds of the oil-state. Does the emir enjoy virtually unfettered rights over his country's finances, as Sheikh Khalifah claims, or is he restricted by the constitution and the traditions and customs of the Sharia law, as the new Qatari government maintains? The dispute centres on transactions between 1981 and 1995 in which Sheikh Khalifah and Mr al-Kuwari are alleged to have transferred some \$370m of public funds to offshore accounts. These sums were taken from the "Ruling Family" account



Sheikh Khalifah: contesting actions

at the National Bank of Qatar which, the Qatar government claims, are for the emir's official expenses. The government also claims that Sheikh Khalifah ran up overdrafts on these accounts which totalled some \$2.5bn. The state of Qatar has also assumed liability to the Qatar National Bank for a further \$894m in overdrafts in the accounts. The removal of such sums caused "financial chaos" for the state, Dr Najeeb al-Neumi, the Qatar minister of justice, has previously said. The state must now assume considerable debt which has to be paid off, he said. The legal issues will centre on interpretations of Qatar law - a mixture of written law and the customs

and traditions of Islamic Sharia law - over the constitutional position of the emir. The government of Qatar has argued that Sharia law prevents an emir treating public money as his own. The legal issues taken to court reflect the politics of modernisation which, against a background of falling oil revenues, are a subject of deep concern in the Gulf. Under Sheikh Hamad, Qatar has embraced modernisation. Other states, notably Saudi Arabia and Bahrain, have proved less enthusiastic about political reform. This reflects another issue of concern in the region - the handing over of power to a younger generation of rulers. The Qatar coup marked the first time that the generation gap had been crossed

in the region, said a western diplomat. That this should result in reforms such as a drive for greater transparency in public finances has concerned other Gulf rulers, he said. "All this worries some of Sheikh Hamad's neighbours. They don't want a ruler of that type around," he said. The case is also being followed by bankers who handle the investments of other Arab rulers. Although much Arab money is managed through London, the most popular places to invest it are in order, Geneva, Zurich, Monaco and then London itself. Most bankers maintain the case is not causing "huge concern" in investment circles because the circumstances are particular to Qatar. However, some disagree. One said the dispute could have widespread ramifications for London and other financial centres. A legal victory for Sheikh Hamad could prompt other Arab rulers to reorganise their finances to safeguard their investments against similar actions, he said. If similar cases were ever brought to court, banks themselves might find themselves in jeopardy over the legal concept of "highest assistance" and so find themselves legally liable. "There are an awful lot of people quietly taking legal advice," he said.

INTERNATIONAL NEWS DIGEST

## UAE exodus hits projects

The exodus of low-wage manual and semi-skilled labourers from the United Arab Emirates has hit construction projects in the oil-rich Gulf state, builders in the UAE said yesterday. Diplomats expect up to 200,000 expatriates will leave the UAE when a government amnesty for foreign workers without proper residence or work permits expires at the end of the month.

The UAE's decision to expel illegal expatriate workers, most from the Asian subcontinent, has left some construction companies, notably sub-contractors, stripped of their workforce, forcing them to suspend building work. Local contractors see no easy solutions. "Our sub-contracted labour has left the country. The work will be delayed for the time being," said a manager at a local contractor close to completing a block of residential villas in the UAE capital, Abu Dhabi.

The UAE says the number of illegal workers, those who have overstayed their original work documents or smuggled themselves into the state, posed a threat to UAE security. Sub-contractors rely heavily on imported labour from India, Bangladesh and Pakistan to erect the houses, roads, office blocks and public work projects that have turned the UAE into one of the leading and developed economies of the Gulf. Expatriate workers make up 75 per cent of the UAE's 2.4m population. *Reuter, Dubai*

## Tunisia criticised on rights

Five human rights organisations yesterday sent an open letter to President Zine el Abidine Ben Ali saying that Tunisia's human rights record had deteriorated sharply. "Thousands of individuals convicted for their beliefs and in unfair trials fill the prisons in your country, the practice of torture continues, often in the ministry of interior itself," said the letter, signed by Amnesty International, the International Federation for Human Rights, Human Rights Watch, Lawyers Committee for Human Rights and Reporters sans Frontiers.

High-profile cases this year have underlined the extent of the deterioration in human rights and led to the European Parliament passing a resolution expressing concern. Tunisia was the first country on the southern flank of the Mediterranean to sign a partnership accord with the European Union last year. The accord, which aims to create a free trade zone within 12 years, also commits Tunisia to the respect of human rights. *Rosita Khalaf, London*

## S African miners killed

At least 18 people have been killed in two days of clashes between South African mine workers fighting with sticks, knives and blasting explosives, police said yesterday. They said the fighting, apparently sparked by ethnic rivalry between Pondo and Sotho workers, erupted at Buffelsfontein gold mine north-west of Johannesburg early on Sunday morning. Before the latest violence at least 30 workers had been killed in two months of ethnic clashes on four other mines run by Gold Fields of South Africa, prompting President Nelson Mandela to appoint a judicial commission of inquiry. *Reuter, Johannesburg*

# Fresh effort needed on poor country debt

By Robert Chote in Washington and Graham Bowley in London

The initiative on poor country debt drawn up by the World Bank and International Monetary Fund needs considerable strengthening if it is to have a decisive impact on needy countries, according to a study prepared for Commonwealth finance ministers. The debt relief initiative will be a big issue at the Commonwealth finance ministers' annual meeting, which gets under way in Bermuda today. The scheme aims to reduce

the debt burdens of up to 20 poor countries to sustainable levels. An analysis prepared by the Commonwealth secretariat argues the rules determining whether a country is eligible to participate are too restrictive. They take too little account of the problems which debt servicing implies for government finances and they are too optimistic about the size of debt burden which countries can sustain relative to their exports, it says. The report also calls for greater flexibility in the assessment of

countries' policy track records. The scheme at present demands two three-year periods of sound policy before full relief is given. The secretariat says Mozambique and Tanzania have had sound policies for most of the last 10 years, but they might be overly penalised for going "off track" in the recent past. Ministers might therefore wish to consider advocating... a shorter time-frame for relief, by dropping the "double waiting period", with the objective of providing relief to as many countries as possible

by the year 2000, the report says. The World Development Movement, a leading pressure group, argued yesterday that the track record requirement should be relaxed. It said on the present rules only Uganda would benefit by the end of the century. In financing the scheme, the secretariat is concerned too great a burden may be placed on the Paris Club of government lenders and the World Bank may end up shouldering too much of the cost among multilateral institutions. The World Development Movement said

it was unlikely the Paris Club would agree this week to lift the 67 per cent debt relief it already offers under the "Naples terms" to the 90 per cent the IMF and World Bank would like. A senior IMF official said yesterday it was likely to be a "protracted and difficult process" for the Paris Club to reach agreement. But he was satisfied that governments would provide bilateral contributions to help put the IMF's subsidised loan facility for poor countries on a permanent footing.

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# IRA intended a dramatic end to lull

The timing of the IRA's latest intended attack on the British mainland was no coincidence. After the political summer lull, attention turned yesterday to the start of the series of UK party political conferences. An explosion, at least the size of the London Docklands and Manchester city centre attacks, would have had a dramatic impact on the British political scene.

Security officials have consistently warned against assuming that the lack of terrorist activity in the three months since a bomb at a British army barracks in Germany indicated a change of tack by the IRA and its political wing, Sinn Féin.

They attributed the relative quiet in part to the success of security operations against active service units on the British mainland, in part to a tactical lull by IRA strategists, and in part to Irish republican leaders taking holidays.

Recent suggestions, largely emanating from Dublin, that the IRA was considering a restoration of the ceasefire it broke last February were treated with caution by many in London.

Security has been stepped up for the conference season. For the first time in several years, the opposition Labour party's leadership will receive the same level of protection as the ruling Conservatives.

Senior UK politicians and security figures acknowledge persistent tension in the republican movement between hardliners and those with a more flexible approach, such as Mr Gerry Adams, Sinn Féin's president, and Mr Martin McGuinness, its chief negotiator. The irony of yesterday's highly successful police operation is that it might strengthen the hand of the extremists, who will feel more frustrated.

Mr Adams and Mr



Police show a photograph of IRA bomb-making equipment seized in London yesterday.

McGuinness have little to show for their tactics in recent months. The more Ulster politics slides back into its pre-ceasefire mode, the less interest is displayed in London by politicians and the public. And it is London which counts in publicity terms for republicans.

Multi-party negotiations in Belfast are stuttering along, with the province's so-called constitutional politicians bogged down at the very start of the agenda.

Those in London and Belfast who have long given up any aspirations of tying republicans into the political

other agencies are able to maintain a successful rate of attrition against terrorists." Mr Adams is convinced that the talks would make some headway if Sinn Féin were allowed to participate.

"It is clear that the vacuum and limbo in which we have all lived for some time is entirely dangerous. We must seek to fill the vacuum with real talks," Mr Adams said yesterday.

However, the longer it takes for the ceasefire to resume, the tougher it would be for the other parties even to sit down with republicans.

All the while, the Social Democratic and Labour party - the voice of moderation among minority nationalists in the province - sees its influence wane, and most unionist politicians convince themselves that their uncompromising position has been vindicated.

John Kampfner

## UK NEWS DIGEST

### China boosts export hopes

The Chinese government is to adopt UK design standards for roads and bridges in a move that could boost exports by helping engineering companies to win contracts in the country.

The Highways Agency, which is responsible for UK roadbuilding and maintenance, yesterday handed its design manual to the Chinese authorities in London. A full translation of the documents is planned. They will be published under licence in China.

The agency believes the licensing agreement will put UK civil engineers in a stronger position to win road contracts in China - its road building programme is one of the world's largest. Its current five-year plan includes the provision of 6,600km of motorways, 3,600km of trunk roads and thousands of bridges.

While most construction work in China is carried out by local operators, UK engineering groups hope to win design and consultancy contracts.

UK, US and German design standards are commonly used for reference and training in developing countries. However, it is unusual for an overseas government to publish a full set of translated documents. *Simon London*

### INTERNET Monitoring code proposed

Internet service providers in Britain unveiled proposals yesterday designed to tackle the problem of illegal material - particularly child pornography - being transmitted on the Internet.

The proposals, which include setting up a complaints hotline, establishing monitoring procedures and adopting a self-regulation code, have the backing of the largest Internet service providers in the UK and are supported by the government and London's Metropolitan Police.

There has been growing public concern about the availability of child pornography and other obscene material on the Internet in Britain and elsewhere. However attempts to regulate the Internet - including passing new legislation in the US - have generally failed.

Yesterday's proposals, initially put forward by Mr Peter Dawe, Internet entrepreneur and founder of the Safety-Net Foundation, have the backing of the Internet Service Providers' Association which represents 60 members and the London Internet Exchange. *Paul Taylor*

### WATER INDUSTRY French imports 'impractical'

Folkestone & Dover, an English water supplier owned by France's Générale des Eaux, has abandoned plans to import water through the Channel tunnel because it considers them impractical.

Mr Peter Darby, Folkestone & Dover's managing director, said that the main reason for laying the plan aside was that France was not much better endowed in water resources than the other side of the Channel.

Eurotunnel, which operates the tunnel, had been willing to co-operate after determining that it was technically feasible to use pipes designed for fighting fires to carry water supplies for consumers.

Folkestone & Dover is currently pinning its hopes on gaining extra resources from a takeover of its neighbour, Mid Kent Holdings, by its parent company Générale and Saur, another French conglomerate which owns English water companies. *Leyla Boulton*

## Prime minister 'furious' over single currency row

By Robert Peston and John Kampfner, Whitehall

Mr John Major, the prime minister, is furious with Mr Kenneth Clarke, the chancellor of the exchequer, for breaking the cabinet's carefully crafted compromise on UK membership of a European single currency, close allies of the prime minister said last night.

Relations between Mr Clarke and the hierarchy of the governing Conservative party were under intense strain as Downing Street and Conservative Central Office reacted angrily to remarks by the chancellor strongly supporting a European single currency.

In a sign of the sensitivity of the issue, Mr Major discussed the resurgence of public divisions over EU policy with the party chairman, Mr Brian Mahoney. "The prime minister is very angry," a close aide said later.

However, Mr Clarke is unlikely to lose his job. "He is too fine a chancellor to be fired," the aide said.

Senior advisers also held a series of meetings in an attempt to limit the fall-out from Mr Clarke's description as "pathetic" the idea that Britain could opt to participate in a later phase of monetary union.

Downing Street said there was no reason to believe that the government's "wait and see" approach would be changed. An official said the government had a "settled position". Asked to confirm that Mr Clarke's views corresponded to that, the official refused to comment.

Party officials expressed exasperation at the latest outbreak of in-fighting over Europe which threatens to take the spotlight off the leader of the opposition party, Mr Tony Blair, as he copes with potential difficulties at his party conference next week, and attempts by

## Emu 'should improve London financial role'

By George Graham, Banking Correspondent

The UK's leading financial institutions yesterday moved to calm worries that London might lose its position as Europe's leading financial centre if the UK does not take part in European monetary union.

"Overall, if the UK participates in Emu, the City [of London] should consolidate its position as Europe's leading financial centre. In the event of non-participation, London's strong position should still endure," concludes a report published yesterday by a senior City of London working group.

In the bond and equity markets, competition could increase sharply with the advent of the single currency, but there was no reason why London could not continue to hold its own as a trading centre, according to the group, which included representatives from the

British Bankers' Association, the London Investment Banking Association and the Association of Payment Clearing Services.

Only in the money markets was Emu likely to have a significant impact, because of the close link between these markets and the implementation of monetary policy by the future European central bank.

The assessment follows months of argument about whether the City's interests would be damaged if the UK stays out of Emu. Fears were stoked by moves from Germany and France to limit the access of UK banks to Target, the proposed cross-border payment system that will allow transfers of large sums of euros between central banks.

In its report the working group says individual banks should examine the possibility of using not just Target but also their branch networks on the continent.

their correspondent banking relationships and the existing Euro clearing system for their cross-border payments. The risk of discrimination against banks from countries outside Emu must be kept in perspective, but it urges the European Commission to crack down on cases where countries abuse monetary policy for protectionist purposes.

Mr Tim Sweeney, director-general of the BBA, said there had been a sea change in the attitude of UK banks to Emu over the last six months. Most had now recognised that they needed to prepare for a single currency, even if only the wholesale markets are likely to be directly affected.

"Anybody sitting on his hands and saying 'we're not prepared to talk about it' would be daft as a brush," Mr Sweeney said.

Martin Wolf, page 12  
Lex, page 14

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For further information, please contact Andrew Peters or Karen Willis at Deloitte & Touche, Colmore Gate, 2 Colmore Row, Birmingham B3 2BN. Tel: 0121 200 2211. Fax: 0121 695 5555.

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## NEWS: UK

## Components sector 'declining'

# Volkswagen chief hits at standards

By John Griffiths  
in London

Volkswagen, Europe's largest vehicles group, wants to nearly triple its annual spending on motor components in the UK to £1.5bn (\$2.34bn) within the next three years, more than double that of Toyota or Honda. But it claims it is being frustrated by the UK components industry's "poor and in many cases declining quality and productivity".

In a performance analysis of 170 UK suppliers, in the industry publication Automotive Sourcing, only 11 per cent were given A-ratings and classified as fit to become a supplier to the German group.

The verdict by Mr Frans Boot, the VW executive charged with procuring UK supplies, on the majority of UK manufacturers contrasts with praise from Mercedes-Benz and BMW, which recently announced substantial components contracts with British suppliers.

BMW has just awarded a £17m contract for Midlands-based Automotive Products to supply BMW with high-technology fly wheels, while Mercedes-Benz has given a £15m contract to supply gearbox shafts for its forthcoming "A-Class" small car to Unipart Industries of Crawley.

Mr Boot, while acknowledging Unipart and some other leading UK suppliers as exceptions, said poor quality and productivity in the rest of the sector meant Volkswagen would fall far short of its target of lifting its UK components "spend" by £400m this year to £500m. "Instead, it will rise by only £100m. Yet Volkswagen really wants to spend this money. It is right in principle that Volkswagen should balance the 6 per

cent of its sales it makes in the UK, with raising its UK parts purchases to 6 per cent of its total spend worldwide. Currently the figure is only 2.5 per cent."

Mr Boot criticised under-investment by industry and short-termism by financial institutions as factors. He also condemned as largely misguided an initiative by the Society of Motor Manufacturers and Traders (SMMT) backed by the Department of Trade and Industry, under which Japanese engineers are to be brought to the UK to help raise standards.

Most of the UK sector's business lay within Europe. "UK suppliers must look to the Continent and do what Continental operations like Volkswagen require. There should be much more emphasis on creating engineers and in long-term planning. In Germany at the heads of companies we are all engineers."

Mr Ernie Thompson, chief executive of the SMMT, said the UK industry was "pretty patchy, we've got some very good components companies who are already winning a great deal of business with Japanese and German manufacturers. But there are also an awful lot whose performance has got to be improved, and that is exactly what the DTI-backed Industry Forum initiative is seeking to achieve."

Ironically, although perhaps overlooked by Mr Boot, VW also has an engineer taking part in the initiative. Mercedes-Benz spending with British suppliers reached £185m last year compared with just over £50m at the end of the 1980s, and is expected to top £300m within two years. BMW expects to spend about £125m this year, excluding supplies to its Rover subsidiary.

## Tories may cut unfair dismissal rights

By John Kampfer,  
Chief Political  
Correspondent

The statutory right of appeal against unfair dismissal for new employees in small businesses may be removed by a future Conservative government, ministers said yesterday.

Launching the annual report of the UK government's deregulation task-force, Mr Roger Freeman, public services minister, said business leaders and other organisations would be consulted on the proposal.

The report suggested that small businesses be defined as those employing fewer than 10 people. This, according to trade and industry department figures, would involve more than 90 per cent of companies and 15 per cent of employees.

The idea is the most radical element of a report which refers to selective successes in cutting red tape but expresses concern that the overall project has encountered considerable resistance in Whitehall.



Michael Heseltine said deregulation in the past year would save up to £78m annually

Mr Francis Maude, task-force chairman and a former Treasury minister, said the change could create a "huge" number of jobs.

One way to prevent "frivolous" appeals would be to stop legal aid being paid before cases reached tribunals.

Urging government ministers to "elevate deregulation to the same level of concern as public spending", Mr Maude warned of "over-implementation" of European Union employment directives.

The government's response to several of the

inevitably be just the thin edge of the wedge," he said.

Mr Michael Heseltine, deputy prime minister, said the government was determined to press ahead with deregulation. Annual savings of up to £50m (£78m) would accrue from orders passed by parliament over the past year, he said. The government also aimed to cut back on pay-as-you-earn and National Insurance paperwork.

A "green card" will be sent to more than 100,000 businesses spelling out their rights.

The report also recommended:

- The Securities and Investments Board, the City of London's chief watchdog, should co-ordinate a move by all financial services regulators to achieve a reduction of £100m over the next two years in the compliance cost of regulation.
- The Inland Revenue should set a target to achieve a net reduction of £100m in the compliance cost of taxation on business, disallowing costs incurred with self-assessment.

## Nurses appeal for pay increases

By Andrew Bolger,  
Employment Correspondent

Nurses' leaders yesterday appealed to their pay review body for an end to local bargaining and a "substantial" national increase to avert a looming staff shortage across the National Health Service.

However, employers said the unions' call for a strong role for the pay review body, including the recommendation of a hefty national pay rise, would take the NHS "back to the dinosaur age of pay bargaining".

The representatives of 500,000 nurses, midwives and health visitors said bargaining at local level had been an "unmitigated disaster" this year. More than a third of NHS trusts had failed to make a local pay offer in addition to the 2 per cent national award recommended in February.

The Royal College of Nursing and other health service unions were furious when at the same time the pay review body for medical staff awarded junior doctors a national award of 6.8 per cent - a difference they said "did not reflect the rapidly expanding role of nursing staff into medical areas".

In its evidence to the review body, the Nursing and Midwifery Staff Negotiating Council said it was looking for parity with comparable occupations. It also wanted account of a forecast increase in average earnings of 4.6 per cent next year.

A grade D nurse - the lowest grade of registered nurse - was said to earn between 14 to 25 per cent less than social workers, teachers and policemen at the same level.

Ms Maggie Dunn, of the health and general union, Unison, who chairs the negotiating council, said the impartiality of the independent pay review body had been called into question by the nurses who said that too often it reflected government policy.

## Institutions turn to short-term assets

By Graham Bowley,  
Economics Staff

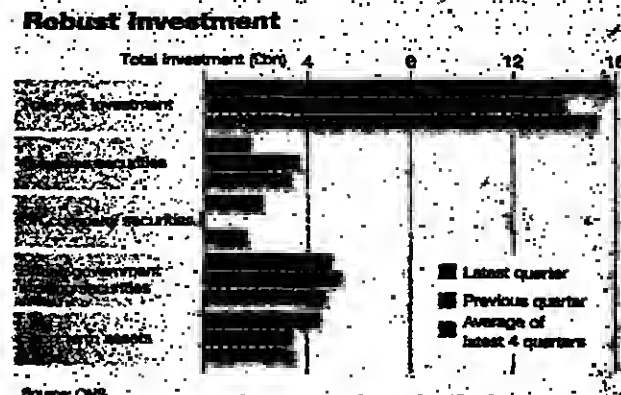
Institutional investment is at its most robust since summer last year, thanks in part to the strongest investment in short-term assets for six years.

Official figures yesterday showed institutional investors stepped up investment in UK company securities and continued to invest strongly in UK government bonds, or gilts, in the second quarter of this year.

Total net institutional investment rose to £15.3bn (£24bn) in the second quarter, compared with £13.7bn in the first quarter, the Office for National Statistics said.

Net investment in short-term assets, such as cash or treasury bills, rose from £3.4bn to £4.3bn, the highest level since the second quarter of 1990.

Investment in UK company securities recovered to



£2.3bn, after a net disinvestment of £200m in the first quarter.

But investment by institutions in overseas securities more than halved from £3.8bn to £1.8bn, its lowest level for a year.

Record investment by long-term insurance funds was one of the main reasons behind the strength of overall institutional investment.

Mr Kenneth Clarke, the UK chancellor, met Mr Eddie George, the governor of the Bank of England, yesterday for their regular discussion about the economy and interest rate policy, Graham Bowley writes.

Economists are split on whether Mr Clarke will decide to cut interest rates again or whether he will have to start raising rates soon. Inflation at present is subdued, but recent economic data suggest that the strong rebound in consumer

spending forecast by the government for the second half of this year is gathering speed. This will make it difficult for Mr Clarke to cut rates again without provoking an adverse reaction in financial markets.

Short sterling futures markets, which sold off slightly yesterday, suggest investors expect base rates to rise from their present 5.75 per cent to about 6 per cent by Christmas. They expect rates to be about 6.5 per cent next summer.

Long-term insurance funds raised their investment to £8.4bn in the second quarter, accounting for more than half of total investment.

They increased their investments in short-term assets and more than doubled their investment in UK company securities. But their net investment in overseas securities more than halved to £500m.

Pension funds raised their overall investments by one third to £3.4bn, the highest level since the third quarter of last year. They stepped up net investments in gilts from £1.5bn in the first quarter to £1.8bn in the second quarter.

But pension funds' net investment in unit trusts fell by £200m to £700m. They disinvested £1.9bn in UK company securities, continuing

the trend of disinvestment of recent quarters.

In contrast to the rising trend in pension and long-term insurance funds, unit and property trust investment was £700m lower in the second quarter at £2.9bn.

Overall net investment in gilts fell slightly from £5.8bn in the first quarter to £4.8bn in the second quarter.

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INVITATION TO PRESENT OFFERS FOR THE ACQUISITION OF  
**EDITRICE IL GIORNO S.p.A.** **NUOVA SAME S.p.A.**

SOGEDIT S.p.A., an Italian company based in Rome, P.le Enrico Mattei 1, with a fully paid-up share capital of lire 38 billion, number 6401/91 on the Companies Register in the Court of Rome ("Sogedit"), having received expressions of interest in the acquisition of EDITRICE IL GIORNO and NUOVA SAME, now wishes to receive and evaluate joint or eventually separate offers by single parties to acquire 100 % of the share capital of EDITRICE IL GIORNO and NUOVA SAME. This announcement is directed exclusively to limited liability companies.

EDITRICE IL GIORNO S.p.A., with a fully paid-up share capital of lire 4,267 million, based in Milan, P.zza Cavour, 2, is active in the editing, publishing and distribution of the newspaper "Il Giorno". The 1995 turnover was approximately lire 84 billion.

NUOVA SAME S.p.A., with a fully paid-up share capital of lire 5,200 million based in Milan, P.zza Cavour, 2, is active in the typesetting and printing of newspapers with two production facilities in Milan. The 1995 turnover was approximately lire 27 billion.

Information Memoranda on EDITRICE IL GIORNO and NUOVA SAME will be sent to qualified interested parties who have requested in writing to the address below, by letter or fax, a copy of the confidentiality letter, and returned it validly signed by their authorised representative, no later than 4th October 1996, together with a copy of their annual report and accounts for the last three years, a description of their activities and an indication of the industrial objectives of the potential acquisition. Intermediaries of any kind are required to reveal the identity of their principals. Subsequently the sale will comply with a procedure based on the following main steps:

- presentation, by 14th October 1996, of a preliminary non binding offer by the parties which will have received the Information Memorandum;
- selection, on the basis of the received offers, of the potential acquirers admitted to the procedure, visit to the factories and access to the company/ies accounting and technical information;
- request within the 15 days following the completion of the prior stage, of a binding offer. The seller reserves the right to ask for higher offers.

For the purpose of this transaction SOGEDIT has engaged the services of PASFIN Servizi Finanziari S.p.A to whom interested parties should direct all enquiries. The relevant people at PASFIN can be contacted at the following address:

**PASFIN Servizi Finanziari S.p.A.**  
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Tel. 39/2/58374362  
Fax. 39/2/58314808  
Attn Dott. E. Morigio/Dott. R. Magnoni

This announcement constitutes an invitation to present offers and not a public offering under the terms of article 1336 of the Italian Civil Code, nor a solicitation for public saving under the terms of section 1/18 of law 216/1974, as subsequently modified. Neither this announcement nor the receipt by SOGEDIT of any offer will create to the latter any obligation or commitment to sell to any bidder, nor does it confer to any bidder any right of whatever kind or any other action or performance on the part of SOGEDIT, including the payment of the advisory fee. In the event of any discrepancy, the Italian text of this announcement will prevail over that published in any other language. This announcement and the sale procedure will be governed by the law of Italy and parties submit to the exclusive jurisdiction of the Court of Rome. This announcement has been approved by CARNEGIE on behalf of PASFIN, and SOGEDIT makes no representation or warranty as to the information's accuracy, completeness or as an offer to buy or sell securities in any jurisdiction. CARNEGIE in the conduct of its investment business in the United Kingdom is regulated by the Securities and Futures Authority.

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# The ghosts of lives past

William Packer finds a refreshing ambiguity in Rachel Whiteread's work

Rachel Whiteread, who is now all of 33, was one of the stars of the generation of young British artists which rose to prominence in the later 1980s. She won the Turner Prize in 1993, just as her controversial "House" project, in which she preserved for a while the interior spaces of an East End Victorian terraced house while the house itself was demolished, was making her a national figure. She has earned her retrospective.

For our part, the interest is somewhat broader. The point of a shooting star, after all, is that it fizzles out, while a rising star wins a more permanent place in the firmament. Which sort of star is she?

In the event her claim is persuasive, even impressive. Although this is a small show of only 20-odd works, augmented by a set of photo-

graphic prints of tower-blocks being blown up and a documentary video of her "House", it establishes a consistent aesthetic and celebrates a sustained achievement. Taken together in their physical presence, these works sustain and complement each other to declare a properly sculptural identity that has not always been so apparent when taken alone.

For Whiteread's materials tend towards the unprepossessing: raw plaster, semi-opaque and delicately-tinted acrylic or rubber, that may look like beeswax, or jelly, or amber; and too often with the individual work, the subtle physical quality of mass and surface, because it is so subtle and delicate, has been overwhelmed by the strength of narrative and anecdote.

What she does is to take a domestic object — bath, basin, room, house — that is

invested with the aura of a long, private history of common use. She then makes a cast not of the object as such, but of the space around and within it, that it defines and in turn defines it; she makes the mould itself the object of the sculpture. And this she does with admirable formal improvisation, invention and great finesse, shuttering-in the sides of chairs, pouring plaster between the joists beneath the floor, filling a wardrobe, filling a house.

"The cast, of course, has been a staple of sculptural practice for centuries, and the life-cast and death-mask no less a commonplace. Is this work a kind of still-life-cast? The only difference is that in her case, it is not the mould that is broken open, but the object that formed it.

The narrative element remains a problem, but only when it intrudes as too self-conscious a reading of metaphor and image. There is much talk of hidden presences, all those baths taken only to be drained away, all those ghosts, as it were, of bumps on seats. "The mattresses and slabs begin a conversation about the difference between resting temporarily and being at Rest for good", declares Stuart Morgan in the catalogue. As for "House", he goes on, "A point in time and space, it stopped visitors in their tracks to remind them of larger, deeper, simpler issues... The plight of the homeless in Britain can never be discussed enough... Artists, on the other hand, have no vested interest in keeping silent about injustice or poverty... Whiteread's chosen task is to try to touch the collective consciousness."

All artists try to touch a collective consciousness, but never by such hectoring polemic. An honest if ques-



The mould as sculpture: Rachel Whiteread's orange bath

tioning ambiguity is always more appropriate, that leaves any viewer free to approach the work in terms of personal and direct experience. A specific socio-political programme will merely limit and confine the work to propaganda. Happily, there is indeed to Whiteread's work a genuine ambiguity of imaginative meaning and association that is altogether more healthy, and intriguing.

These walls turned inside out, these blank, blind windows, these vanished floors and tables that somehow are still there, these us and less efforts of imaginative reconstruction, bouncing between lighting and reversal, positive and negative. Always there is the familiar, poignant detail, the rust stain on the bath, the ghost of a door-knob, the lost step at the top of the stairs, the book on the shelf. And there is the space, made solid in

all its negative and monumental simplicity, to bring us back to the fact of the work. Though the doubt may remain that Whiteread is a sculptor of the one formal idea and device, we can now see that she has continued positively to test and stretch it, and who knows yet what the limit might be.

Last year she was given the commission for the Holocaust Memorial that is to go up on the Judenplatz in Vienna. It is indeed to be a simple block, monumental in its minimal formality, yet fraught with hints and associations proper to its purpose, though oblique and understated. Again it is to be a room, or rather the space of a room, though no bare room ripe for demolition but a library, the ghost of a library, lined with books.

Rachel Whiteread - *Shedding Life*: Tate Gallery Liverpool until January 6; supported by the Henry Moore Foundation.



Inexpressibly enlightened: a scene from Robert Lepage's latest work *The Seven Streams*. Alastair Macaulay

## Theatre/Ian Shuttleworth

### Streams that lead to Zen

Robert Lepage's bewitchingly skewed perspective upon both human interaction and its theatrical representation have led to the odd way dubbing him the first "Martian" theatre director. What this seven-act, eight-hour assemblage in two chunks (see them on successive nights or across a full day at the weekend) proves is that, as in his earlier marathon *The Dragons' Trilogy*, Lepage underpins his thrilling imagery with a profound sympathy for ordinary human events and emotions.

Around half of *The Seven Streams of the River Ota* was seen in the UK two years ago as a work in progress, devised by Lepage and his nine actors. It now emerges as both more calmly contemplative and more diffuse than at first suggested. The latter point is a mixed blessing: on the one hand, the knot which binds every character is no longer as constricting as in the earlier version; on the other, the original vision of the piece as inspecting the 20th century through the odyssey of one woman has been abandoned, and with it a fair degree of focus.

Former protagonist Janna Capek is no longer seen between her ordeal as an

11-year-old in the Theresienstadt concentration camp and her arrival in Hiroshima in 1945, at which time she takes up residency in a Zen monastery, becoming literally as well as figuratively detached from events down the mountain. This marginalisation of Janna makes a mystery of the entire penultimate act "The Interview", we have no idea why a Canadian television crew should be so interested in her, because her past as an avant-garde artist, casually mentioned here, has been excised from the play.

*The Seven Streams*... (the title refers to the delta which flows below Hiroshima) is now held together by twin themes. The first, made explicit by the older Janna, is that of finding the "middle way" in one's life — not compromise, but a path which, in Zen fashion, embraces both extremes. In quiet unobtrusive ways, through events which range from the Nazi and atomic holocausts to a tawdry bedroom farce, each character ultimately locates and embraces his or her core identity, whether or not those surrounding may find it palatable: the most horrific scene in the work, and more disturbing still because it is depicted in an unassuming leisurely way, is of an AIDS

sufferer undergoing medically assisted suicide among friends and relations in the shockingly serene environment of his own flat.

The other recurring image is that of image itself. The play begins with a GI photographer recording damage in Hiroshima in late 1945. In the Nazi camp, young Janna learns how to cheat the eye as a magician's assistant (in a series of scenes which themselves take place amid an infinite regress of mirror-images); scenes and acts are interspersed with a Japanese *buraku* puppet-play, the interaction of human shadows and back-projected film, and a live video link into a railway station photo-booth on the stage.

Lepage's action unfolds at a slow, though not a tedious pace, and does not force grand resolutions. Although the events depicted span 50 years and three continents, it is the spirit of Japan — and in particular of Zen — which informs the piece. And, as with occasion of *no-zen* meditation, the overall experience combines severe camp and a fundamentally inexpressible enlightenment.

At the Lyttelton Theatre, London SE1, until October 6 (0171 928 2352).

## Concerts/Andrew Clark

### Acquired taste for Elgar

There's no doubt about it: Elgar's big choral works are an acquired taste. Most people can stomach an occasional performance of *The Dream of Gerontius*, but to programme it with *The Apostles* and *The Kingdom* on three consecutive days, as London's Barbican Centre did last weekend, is asking a lot.

In this secular age, you have to be a devoted admirer of Elgar's music to swallow the devout religiosity of these three oratorios. Next to the mystic Catholic drama of *Gerontius*, which opened the weekend on Friday, the emotional temperature of *The Apostles* and *The Kingdom* is cool. Elgar's patchwork of biblical narrative unfolds at a sedate pace, the mood is more contemplative, the music less involving.

The sweeping phrases and proud climaxes may be quintessential Elgar, transposing the characters and events of the early Church onto English country soil, but you cannot mistake the musical padding in between.

So this choral trilogy, played by the Bournemouth Symphony Orchestra under Richard Hickox, revealed Elgar's limitations as much as his genius. Yes, he remains a supreme orchestrator, and yes, the choral apotheoses are worth waiting for, but as the century draws to a close, Elgar is sounding more dated and English than ever.

The performances were not helped by the Barbican's acoustic, which brightens the sound and dampens the climaxes. These works demand to be heard in the Royal Albert Hall or a cathedral setting. But their muted impact also stemmed from a want of charisma in Hickox's conducting.

In one respect, we owe Hickox a debt of gratitude, for without his advocacy, the peaks and byways of the English choral tradition would be heard less frequently, or not at all. Each of the Elgar performances had been scrupulously prepared, with some ideally rapt playing and singing in the quieter passages.

seemed aware of what she was singing.

The soloists were more evenly matched in *The Apostles* and *The Kingdom*. Peter Coleman-Wright improved as the weekend went on, with some beautifully-contained singing in St Peter's great aria. Susan Chittock was the fragrant Mary, Matthew Best a black-voiced Judas. The two tenors — Stephen Roberts (Christ) and Adrian Thompson (St John) — were suitably contrasted, and the only blot on Linda Finn's operatic way with Mary Magdalene was her diction.

So it was not a weekend to set the pulse racing or nourish the soul. Unlike previous encounters with these works, I did not come away with a heightened respect for Elgar. It might have been different if *The Apostles* and *The Kingdom* had been played alone. As it was, this was a weekend of moments — the "Alleluia" in *The Apostles*, the incandescent "Proclaim unto them", the wistful violin obbligato in "The sun goeth down". For all the sterling efforts of the Bournemouth Orchestra, and the London Symphony and Bournemouth Symphony choruses, these works deserve better.

## Theatre/Alastair Macaulay

### Beware dull camp

At least three of the ingredients of Gloria's production of *Sarrasine* at the Lyric Hammersmith are so good — an exquisitely morbid Balzac short story of mystery and disfigurement, and two of Britain's finest actors (Bette Bourne and Sara Kestelman) — that it is both a scandal and a puzzle that the total result should be so poor. It rambles, it repeats itself, it tells its tale badly, and it is one long swim through a vast pool of tepid camp. Since it is directed by the Lyric's artistic director, Neil Bartlett, it raises severe doubts about that theatre's policy. And it is considerably worse than his original Gloria production, which was presented in various fringes venues in 1990.

Balzac's original is a tale within a tale. The inner tale is of Jean Ernest Sarrasine's love for the extraordinary singer La Zambinella; of his

discovery that La Zambinella is not a woman but an operatic castrato who is kept by a Cardinal; and of his death at the hands of the Cardinal's henchmen. Now, decades later, La Zambinella is a deathlike spectre who materialises amid the magnificent Parisian entertainments given by a noble but mysterious family. And the tale, as it is told to young Madame de Rochefide, so disarms her that she vows celibacy.

*Sarrasine* that Neil Bartlett and Nicolas Bloomfield serve up is, however, a protracted exercise in the dullest terrain of camp. Mme de Rochefide (Sara Kestelman), in a Balmain gown, takes us back to her youth in the Paris of 1964, and the

operatic goblets that La Zambinella sings are largely drawn from the mid-1950s repertoire of Maria Callas. As Mme de Rochefide gets drawn into the story, she also becomes Sarrasine. (This is very poorly handled.) And La Zambinella, as in 1990, appears in triplicate: Bette Bourne, Francois Testory, Beverly Klein. This device adds more confusion than it is worth. Still, the central point is clear: this is a drag show. And I never saw a duller one.

The best moment of the 1990 staging, in which all three Zambinellas took slow, calm, silent bows over the dead body of Sarrasine/Rochefide, has lost its power. The three Zambinellas are given every indulgence by

Bartlett. Bourne, admittedly, makes marvellous use of several wonderful opportunities, and his aged Zambinella — four-mothed, macerated, haunted, wicked, funny — is as disturbing as the Countess in Pushkin's *Queen of Spades*. This strange actor is exquisite in many details, and his delivery of the song "Don't you give nothing away" is a show-stopper. But even he is given, or allowed, acres of pointless material.

Klein and Testory have both become more mannered singers since 1990. As in 1990, Bloomfield's score, campily atmospheric, is an uneven and messy mixture of idiom from the early baroque to Wagner's *Tristan*. Kestelman's authority is completely wasted in a badly written and unrewarding role. The show is a mess.

At the Lyric Theatre, Hammersmith, until October 12.

**INTERNATIONAL ARTS GUIDE**

**AMSTERDAM**  
ICERT  
certgebouw Tel: 0-6718345  
Amsterdams Promenade  
with conductor Thjs  
soprano Hilary Reynolds,  
and bass Lars Terrey  
Mozart's *Utanise de  
Abil altures Sacramento,  
and Requiem and Amen,  
8.15pm; Sep 28*

**BARCELONA**  
Picasso Tel: 196310  
Lino and the Lino cut: this  
lon features 66 linocuts  
to collection of the Museu  
Between 1954 and 1964  
devoted great attention  
inocut. His merit lies in the  
ions that he made in this  
which brought about the  
ation of its identity and a  
rial change in its  
re, permitting an easier

register while shortening the time of execution; to Feb 1.

**BERLIN**  
CONCERT  
Deutsches Oper Berlin Tel: 49-30-3438401  
O Mahival: Dame Gwyneth Jones pays tribute to Mahine Schoner von Carolsfeld, Richard Wagner's first Isolda. Featuring Klaus Gittel and pianist Thom Christoph; 8pm; Sep 28  
Philharmonie & Kammermusikkessel Tel: 49-30-2614583  
Berliner Philharmonisches Orchester with conductor Claudio Abbado perform Brahms' Symphony No.2 in D major and Symphony No.4 in E minor; 8pm; Sep 26, 27, 28

**BONN**  
EXHIBITION  
Kunst- und Ausstellungsbetriebe der Bundesrepublik Deutschland Tel: 49-228-9171200  
Kunst aus Österreich 1890-1990: exhibition giving an overview of Austrian painting, sculpture and architecture in the 20th century. Included are some 400 paintings, drawings, sculptures, architectural drawings and photographs; from Sep 28 to Nov 15

**BRUSSELS**  
CONCERT  
Palais des Beaux-Arts Tel: 32-2-5078466  
Filharmonisch Orkest, with conductor Sakari Oramo, soprano

Elena Ustinova, mezzo-soprano  
Idlko Kornilov, bass  
Gregor and the Choir of Riga perform works by Tchaikovsky and Taneyev, Part of the Festival van Vlaanderen; 8pm; Sep 28

**CHICAGO**  
EXHIBITION  
Museum of Contemporary Art Tel: 1-312-280-2860  
Negotiating Rapture: a loan exhibition featuring work by international contemporary artists, including Francis Bacon, Joseph Beuys, Lucio Fontana, Shiraz Hoshary, Anselm Kiefer, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola; to Oct 20

**COLOGNE**  
CONCERT  
Köln Philharmonie Tel: 49-221-2040820  
Cécile Licad and Antonio Meneses: the pianist and cellist perform works by R. Schumann, Fauré, Debussy and Chopin; 8pm; Sep 26

**OPERA**  
Opernhaus Tel: 49-221-2218240  
Cosi fan Tutta; by Mozart. Conducted by Thomas Gabrisch and performed by the Oper Köln. Soloists include Dorothee Jansen, Laura Cobrin and Matthias Klirk; 7.30pm; Sep 25, 28

**DUBLIN**  
CONCERT  
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888  
Nikolai Demidenko: the pianist performs works by Chopin, Field and R. Schumann; 8pm; Sep 26

**LONDON**  
CONCERT  
St. Martin-in-the-Fields Church Tel: 44-171-9300089  
Belmont Ensemble of London: with conductor Peter Gilbert-Dyson perform works by J.S. Bach and Mozart; 7.30pm; Sep 26

**OPERA**  
Barbican Hall Tel: 44-171-6384141  
Werther; by Massenet. Conducted by Kent Nagano and performed by the Orchestra of the Opera National de Lyon. Soloists include Virginie Pouchon, Anna Sofie von Otter, Jery Hadley and Gerard Theruet; 7.30pm; Sep 26

**Royal Opera House - Covent Garden** Tel: 44-171-2129234  
La Bohème; by Puccini. Conducted by Charles Mackerras and performed by the Royal Opera. Soloists include Amanda Roocroft, Elizabeth Futral, Luis Lima and William Shimell; 7.30pm; Sep 25, 28

**NEW YORK**  
CONCERT  
Avery Fisher Hall Tel: 1-212-875-5030  
New York Philharmonic: with conductor Kurt Masur and pianist Helen Huang perform works by Mendelssohn and R. Schumann; 8pm; Sep 26, 27 (11am), 28

**EXHIBITION**  
Whitney Museum of American Art Tel: 1-212-570-3600  
Breuer's Whitney: an Anniversary Exhibition in the Lobby Gallery; presented on the occasion of the 30th anniversary of the opening of the Museum's Marcel Breuer building, this exhibition explores the programme, design and reception of Breuer's Whitney; to Dec 8.

**NICE**  
CONCERT  
Opéra de Nice Tel: 33-92 17 40 00  
Orchestre Philharmonique de Nice: with conductor Christof Perick and violinist Olivier Châtelier perform works by Schubert, Bartók, Ravel and Strauss; 8pm; Sep 27, 28 (4pm)

**PARIS**  
OPERA  
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99  
Rigoletto; by Verdi. Conducted by James Conlon and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Ramon Vargas, Paolo Gavanelli and Andrea Rost; 7.30pm; Sep 25

**SAN FRANCISCO**  
EXHIBITION  
California Plaza of the Legion of Honor Tel: 1-415-883-3330  
Paris Modern: The Swedish Ballet 1920-1925: this exhibition

features drawings, costume and set designs, posters and photographs of this avant-garde dance company based in Paris in the early 1920s. Productions in that time were designed by artists like Léger, Cocteau, Picabia and Da Chirico. The leading art movements of the day — cubism, constructivism, dada, African "primitivism" and surrealism were all reflected in the company's 24 ballets; to Sep 29

**TOKYO**  
EXHIBITION  
Idemitsu Museum of Art Tel: 81-3-32138402  
The Path to Enlightenment: Masterpieces of Buddhist Sculptures from the Musée Guimet: exhibition of 71 objects from the collection of the Musée Guimet in Paris, the French national museum of Asian art. The exhibition traces the development of Buddhist art from its origins in north central India through all of Asia; from Sep 25 to Dec 15

**VIENNA**  
OPERA  
Wiener Volksoper Tel: 43-1-514442960  
Zar und Zimmermann; by Lortzing. Conducted by Sebastian Weigle and performed by the Wiener Volksoper; 7pm; Sep 25

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CNBC:  
08.30  
Squawk Box  
10.00  
European Money Wheel  
18.00  
Financial Times Business Tonight

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## COMMENT &amp; ANALYSIS



Martin Wolf

## To seize the moment

If Italy is prepared to continue to work hard to reduce its budget deficit, it could be one of the first participants in the economic and monetary union

Could Italy be among the first participants in the European Union's economic and monetary union? The idea sounds fantastic, given the country's poor record of big deficits and soaring debt. But it is no longer absurd, in view of the recent progress in reducing the deficit. The question is how far the government will build on that achievement. The budget due this week will give a clue to the answer.

It was not exceptionally high spending that made Italy's fiscal position so precarious for most of the past 15 years: the ratio of spending to gross domestic product (GDP) has been between 40 and 45 per cent, peaking at 45.3 per cent in 1993, a year when France spent 51.7 per cent of GDP and Germany 47 per cent.

Unfortunately, governments failed to raise the revenue needed to finance the spending. The ratio of fiscal receipts to GDP was a mere 33 per cent in 1980, rising to 38 per cent in 1985 and 42 per cent in 1990. The gap was covered by borrowing; between 1980 and 1995 the ratio of the net liabilities of the general government to GDP jumped from 55 per cent to 109 per cent, while the fiscal deficit averaged 10.4 per cent of GDP.

Because Italy's households saved so much, virtually all the borrowing could be done at home. Since Italians were not prepared to pay the required taxes, they had to lend the money instead. When they finally realised that the reluctant taxpayers who would have to service the debt were themselves, they took fright, raising the cost of debt service to penal levels.

Between 1982 and 1991 the real cost of Italy's public borrowing averaged 3.8 per cent (measured by the government's net debt, adjusted for the rise in the GDP deflator). Then between 1992 and

1995, as inflationary default loomed closer, real interest costs jumped to an average of 7.2 per cent.

Such frighteningly high costs of borrowing make it painfully difficult to control public finances. Merely to stabilise the debt ratio, the government must run a primary budget surplus - the difference between revenue and expenditures, less interest - of a little over 5 per cent of GDP. To reduce the fiscal deficit to 3 per cent of GDP, in line with the Maastricht treaty, it must run a primary surplus of more than 7 per cent of GDP.

What Italy has achieved so far, albeit impressive, is inadequate. Particularly striking has been the tough control of public spending: the ratio of non-interest spending to GDP fell from 45.3 per cent of GDP in 1993 to 41.4 per cent in 1995. The primary deficit has also shifted from a peak of 5.2 per cent of GDP in 1985, to a rough balance in 1991 and a surplus of 3.4 per cent in 1995. The only members of the Organisation for Economic Co-operation and Development (OECD) with larger primary surpluses than Italy's in 1995 were Belgium and Greece.

Yet exceptional self-indulgence imposes an exceptional penalty. To meet the Maastricht criteria with current costs of borrowing Italy would have to raise its primary budget surplus by about 34 percentage points above the 1995 level. The government hopes borrowing costs will decline somewhat, from an average nominal cost of funds of 9.6 per cent in 1995. Even so, a primary surplus of 6 per cent of GDP would be needed to reach the Maastricht criterion - a target it hopes to achieve by 1998.

Can this goal be reached? With great difficulty, is the answer. On June's forecasts, the government needs to tighten the fiscal screws by an additional 24 percentage points of GDP between 1996 and 1998. This would be difficult enough. But the challenge is being made far harder by slow growth.

Initially, economic growth between 1995 and 1996 was forecast at 3 per cent. By mid-year, the forecast was down to 1.2 per cent. This necessitated a fiscal correction of L16,000bn (£2.7bn), to hold the 1996 deficit at 6 per cent of GDP. Now growth may be as low as 1/2 per cent. Worse, this sluggish-

ness will affect 1997 as well. Consequently, the government will have to work even harder to meet its deficit targets. Its plan was for additional measures amounting to L32,400bn (L8 per cent of GDP) next year. Some forecasters suggest the needed adjustment is already substantially larger, perhaps 24 per cent of GDP.

If the government fails to take the needed measures, it will rule Italy out of Emu, thereby vindicating the criticisms of Mr Umberto Bossi of the separatist Northern League. If it acts, it courts a confrontation with the Refounded Communists (RC) over the politically sensitive issues of health and pension reform - a confrontation that could precipitate its downfall. Yet such reforms will be needed. If they are not in the budget, they will have to be tackled afterwards.

Meeting the fiscal targets is essential, regardless of monetary union. If Italy could lower the budget deficit, while persisting with disinflation, interest rates would fall and growth would be encouraged.

At present Italy pays a premium on its long-term interest rates of 3 percentage points over Germany and France, 1.4 percentage points over the UK and 0.9 percentage points over Spain. On short-term rates, differentials are 5.5 percentage points over Germany, 4.9 percentage points over France, 2.7 percentage points over the UK and 1.5 percentage points over Spain. Yet suppose it were possible to lower borrowing costs to German levels. The primary budget surplus required to meet the Maastricht criteria would be 34 per cent of GDP, which Italy has already achieved.

Such a reduction in costs of borrowing will be neither immediate nor easy. One reason is the lack of credibility of fiscal policy; another is doubts about the

chances of joining Emu, a third is the Bank of Italy's disinflationary policy.

The three are closely linked. The fear of inflationary default creates high risk premia, which are piled upon the gap between actual and expected inflation that always opens during an attempt to reduce inflation. The consequent steep real interest rates makes it difficult for the government to control the deficit and undermines the credibility of its stated desire to enter Emu.

The best escape is to break through to the lower interest rates by decisive fiscal tightening. Emu entry could then provide a big bonus, since it would hasten the pace of the reduction in nominal interest rates.

That is why the next couple of years are so important. If Italy were to meet the Maastricht criteria on inflation and fiscal deficits by 1998, its debt would also be set on a downward course. It could then argue that it met the fiscal criteria for entry in 1999, since its planned deficit would be 3 per cent, which is all that the treaty demands. Even if it were not accepted in 1998, the treaty would allow it to seek membership in 1999 on the basis of its achievements in 1998. Once Emu entry becomes plausible, long-term interest rates should also converge.

Italy has done much, but not enough. The government knows it must do more; but it must do even more than it admits. If it fails, Italy may have lost its best chance to put its fiscal house in order. Success should also bring a big reward. The Italian economy has laboured under the burdens of soaring government indebtedness and penal interest rates. Yet it has remained the world's fifth or sixth largest. Imagine what Italian business might achieve free of these heavy burdens.

## Accountancy • David Cairns

## A flexible route to global harmony

The acceptance of international accounting standards is gathering pace. The International Accounting Standards Committee (IASC) is striving to get core standards in place for endorsement by the world's leading stock markets by early 1998.

But different interpretations can lead to different results in practice. Such uncertainty - if unchecked - could undermine the trend towards global harmonisation in financial reporting.

Takes the issue of whether a business combination is an acquisition or a merger. The recent takeover of Forta, the hotels group, by Granada in the UK is a good example of an acquisition; the merger of Ciba and Sandoz, the two Swiss pharmaceuticals companies, has all the hallmarks of two companies joining an equal arrangement.

In an acquisition, the acquired company's assets and liabilities are restated to fair value and any excess of the purchase price over the aggregate fair values is accounted for as goodwill. Acquisitions create the opportunity for provisions for reorganisations which are charged to goodwill.

In a uniting of interests, the financial statements of the two companies are combined; there is no restatement to fair value and no goodwill is recognised and any provisions for restructuring have to be charged against profits.

In 1994 the Securities and Exchange Commission, the US regulator, decided foreign companies could use International Accounting Standard 22 to decide whether a business combination was an acquisition or a merger. However, the SEC has now decided it will allow mergers if the fair value of both combining entities is approximately 50 per cent of the combined entity.

US officials have warned that business combinations which qualify as mergers

under UK or Canadian standards may not qualify as such under the international standard as interpreted in the US - even though that standard is based on the UK and Canadian ones.

Different interpretations of international standards undermine efforts to harmonise financial reporting. And they are not the sole prerogative of the US regulator: surveys of the financial statements of Asian and European companies compiled under international standards also reveal interpretations which some would find unacceptable.

Until recently, the IASC was resolute it was the responsibility of member institutes to issue interpretations of standards. However, it has changed its view and will now issue interpretations of its standards.

The task will be a demanding one. The committee will have to deal with inquiries from countries, companies and their auditors, from standard-setting bodies seeking to use its standards as the basis for national accounting requirements, and from regulators enforcing compliance.

Some have suggested the IASC should set up a task force similar to those in Australia, Canada, the UK and the US. These involve people from accounting firms and

Different interpretations can lead to different results. Such uncertainty could undermine the harmonisation in financial reporting

Such uncertainty could undermine the harmonisation in financial reporting

Such uncertainty could undermine the harmonisation in financial reporting

companies who are familiar with national accounting requirements and deals which have led to disputes.

But the fear is such a body could be dominated by people from the English-speaking countries. It may also exclude those with experience of interpreting standards in different countries.

The IASC could adopt France's system where institutes issue opinions on statutory requirements. Such a system has weaknesses but would be much stronger if the committee approved the output of the institutes. This could lead to the national institutes issuing country guides within the framework of international standards.

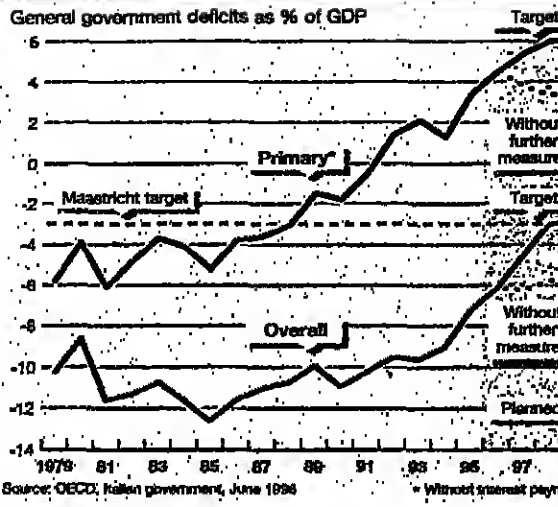
Another model is that used in the European Union, where experts from the member states deal with interpreting directives.

While all these approaches have their attractions, I believe a more flexible procedure is needed involving representatives of companies, audit firms, accountancy institutes, standard-setting bodies and securities regulators. International experts should be at the heart of this group, supported by people who understand the transactions and circumstances which have given rise to any particular inquiry.

To ensure consistent application of standards, the IASC must continue to make clear the intentions of standards and approve them only when there is agreement on those intentions. It also needs to ensure its representatives send accurate and consistent messages about the requirements of standards. Such an approach would eliminate the need for securities regulators and others to issue their own interpretations - which would bring confusion where the real aim is harmony.

The author is a former secretary-general of the International Accounting Standards Committee

## Putting the budgetary house in order



Source: OECD; Italian government, June 1996

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## LETTERS TO THE EDITOR

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## UK ministers united over Hong Kong

From Mr Jeremy Hanley MP. Sir, Ms Emily Lau (Letters, September 23) makes several unsubstantiated accusations about the government's Hong Kong policy. In particular, she accuses us of "leaving the door open to possible co-operation with any provisional legislature set up by China."

These claims pay scant regard to what British ministers - the prime minister, the foreign secretary and I - have said and done on Hong Kong issues in recent months.

In March, for example, the prime minister said in an important speech in Hong

Kong: "We in Britain will have continuing responsibility to the people of Hong Kong, not just moral responsibility as the former colonial power and as staunch friends of Hong Kong, but a specific responsibility as a signatory to the joint declaration. We shall watch, vigilantly, over the implementation of the treaty, to which Britain and China have solemnly committed themselves... We shall ensure that others are watching as well - Hong Kong will never have to walk alone."

The foreign secretary has

seen the Chinese foreign minister twice this year, and will do so again in New York this week. At each of those meetings our belief that there can be no justification for replacing the properly-elected LegCo (legislative council) with an appointed body has been at the top of the agenda. Mr Rifkind told the House of Commons before the summer recess that establishing a provisional legislature would be "unjustifiable" and "unjustifiable" in Beijing in early September I held talks on Hong Kong with senior Chinese officials, including

the foreign minister. I made crystal clear to all of them that we remained implacably opposed on grounds of principle as well as for practical reasons, to any attempt to replace LegCo, and that we had no intention of co-operating with any body appointed in its place. I explained all this to Emily Lau in Hong Kong last week. The governor and I stand four-square on this, and all other Hong Kong issues.

Jeremy Hanley, minister of state, Foreign & Commonwealth Office, London SW1A 2AH, UK

## Cultures to reappraise

From Mr John M. Kirby. Sir, Daiwa, Barings, DMG - each has focused debate on the cause of ill-considered, even fraudulent trading activity. In their own names or otherwise, each has found conflict between long-held cultural restraint, propriety and a distant, impersonal world where long-term investment appears bound by the expectations of the last or latest bull market. In the latter, where humility is so easily subordinated as a non-verbal function, it is not surprising that ego becomes a common denominator. Perhaps it is time for senior management to look afresh - and with new significance - to "dress down" Friday.

John M. Kirby, partner, Stormhouse Research Group, Unit 27, 50 Roman Rd, London E2 0LT, UK

## Efficient, less painful inflation route

From Mr Stuart Allen. Sir, If we are to attain the efficient labour markets that will eventually drive down the natural rate of unemployment to its minimum then a more vigorous discussion of the relationship between low inflation and unemployment is needed. In your September 16 Economics Notebook is necessary. The central premise of the arguments against a drive to zero inflation is that it is easier to cut real wages in an inflationary environment because employees are ignorant at present and unlikely to learn in the near future that, for example, a 3 per cent wage increase with 4 per cent inflation is a cut in real wages.

Given the importance of the issue to employees they will probably not take long to figure out that employers which present this as an increase are deceiving them.

If relations with employees based on assumptions of stupidity and attempts to deceive are thus established it is likely that they will soon meet at least as much resistance as nominal wage decreases. In any event, given the statistical shortcomings of inflation calculations where zero inflation is stated as 2 per cent or 3 per cent, some employees might act on these incorrect price signals and end up counting themselves while at the same time being perceived as conning their employees.

In any event, such a scenario is unnecessary. Robert Chote, and several other writers who have addressed this topic in recent months, miss the point that the advantages posited for zero inflation are equally true of low but stable inflation. It is as easy to interpret price signals in an environment of stable

prices as in one of a stable rate of price increase. Perhaps Mr Chote's confusion of stable inflation and stable prices (zero inflation) clouded his judgment on this point.

A stable rate of low inflation would encourage the same maintenance of employment and investment as zero inflation but would avoid the short-term pain of driving inflation down to zero.

A final point: a one-off loss of 5 per cent of national output would not be recouped in five years with a growth rate of 1 per cent. It would take more than one quarter more than this. Not long, perhaps, but a significant period where there is a political imperative.

Stuart Allen, 6 Castle Steps, Mid-Levies, Hong Kong

## Demand for UK executives sign of international market

From Mr Tim Melville-Ross. Sir, For Britain to retain its competitiveness, companies must be able to attract and retain the best, which means paying them appropriately for the wealth that they generate on behalf of shareholders and the nation as a whole. It is

disingenuous to assert, as Mr Peter Oppenheimer does (Letters, September 18), that there is no international market for high-calibre directors on the grounds that there has not been a large number of high-profile appointments of non-British directors to UK companies.

The fact is that British executives, of all disciplines, are very much in demand abroad, particularly in the US, where the culture of envy that makes us berate achievement and complain when it is rewarded does not exist. The acceptance of English as the international

language of business fuels this demand rather than hampering it, as Mr Oppenheimer implies.

Tim Melville-Ross, director general, Institute of Directors, 116 Pall Mall, London SW1Y 5ED, UK

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FINANCIAL TIMES
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Tuesday September 24 1996

Russia's time of troubles

Whether the precise truth about Mr Boris Yeltsin's state of health, there can be no doubt that the Russian president is a very sick man. His doctors are worried enough to seek to postpone the heart bypass operation which he should have undergone before the end of the month. They obviously have no desire to be accused of precipitating his untimely demise by an ill-judged operation.

Tory tantrums and Emu

In demanding that Mr Kenneth Clarke, the UK chancellor, should be sacked, some Tory Europhobes have shown themselves to be quite lost in the seas of fantasy. Mr Clarke will certainly not stretch his neck for political execution: nor is their leader, Mr John Major, the man to send him to the scaffold.

Robert Reich argues that America must find a way to balance concerns about costs with a desire to reduce unemployment



The rate of unemployment in the US, at 5.1 per cent of the civilian labour force seeking jobs, is lower than it has been in seven years. The wages of America's production and non-supervisory workers are beginning to rise. Do these data suggest imminent danger of spiralling price inflation? No. Can we do even better? Absolutely.

Casualties of the inflation war

Why are healthcare costs dropping so quickly in real terms? Because employers are rapidly switching from arrangements where fees are paid for each treatment to pre-paid care where all healthcare needs are managed for a fixed payment. They are also shifting more of the costs of employee healthcare to employees themselves, asking them to make a contribution to treatment costs and premiums - or reducing the availability of employer-provided healthcare altogether.

ing inflation. There should no longer be any doubt about the relationship between higher skills and higher productivity. Economist Ms Lisa Lynch of the Fletcher School of Law and Diplomacy at Tufts University and Ms Sandra Blank of Harvard University found that raising the average educational level of a company's workers by one year boosts business productivity about 10 per cent.

With these returns, businesses could be expected to invest substantial sums upgrading the skills of their employees. They are, but according to the American Society for Training and Development, business spending on employee training has not kept pace with the increase in the workforce.

Even after having exhausted every means for reducing the "natural" rate of unemployment, society is still left with the question of how to balance concerns about rising inflation with the desire to reduce unemployment. In making this tradeoff, it is important to remember that this nation has committed itself to moving more than 4m welfare recipients off the welfare rolls and into work and in future to employ millions more who otherwise would be on welfare.

OBSERVER

What's at Ford

It is an ambitious young assistant manager, Lee Jacocca, who has been handed the reins of the Ford family's car empire. The 35-year-old son of Ford's former CEO, Bill Ford, is now in charge of the company's operations in Europe.

Father's daughter

It is the glass ceiling in Greek politics, already slightly cracked, about to shatter? Aleksis Papadimitriou, the 40-year-old leader of the Democratic Left, is the first woman to head the party's list for the upcoming elections.

Speaker on top

Forget the fuss as to when Finland might join the ERM. What has really set Finnish tongues wagging is a startling new book by the formidable speaker of the parliament, Riitta Uosukainen.

Not with a bang

The authorities in Northern Ireland clearly feel life has taken a turn for the better. Fireworks - banned at the outbreak of the Troubles in the early 1970s - are back on sale in the province.

Financial Times

100 years ago

Resurrection of a Goldfield. The public will doubtless be long asked to turn its attention to gold mining in British Columbia, and undoubtedly there is much to be said for the revival of the gold mining industry in this part of the British Empire.

50 years ago

Diamonds in Tanganyika. Dar Es Salaam: "Practically inexhaustible" deposits of diamond-bearing kimberlite have now, it is claimed, been proved to exist on Dr. J.T. Williamson's diamond mine at Shinyanga, Tanganyika.



"Without effort, a great vision will remain just an unfulfilled dream."



FINANCIAL TIMES

Tuesday September 24 1996

SENIOR FLEXONICS A world leader in flexible connectors Tel: 01923 775547

Japanese vessels patrol Asian islands in dispute

By William Dawkins in Tokyo

The dispute between Japan and its Chinese-speaking neighbours over a group of islands in the East China Sea intensified yesterday when Tokyo sent 17 coastguard and police vessels to the area to deter intruders.

with the expected arrival tomorrow of a boat carrying more protesters from Hong Kong. They have pledged to destroy a makeshift lighthouse, repaired last month by a rightwing Japanese youth group, and erect a Chinese flag in its place.

action against nationalists, however embarrassing their actions, unless they break Japanese law. But it has come under growing criticism from China - an important and sometimes feared partner - for failing to control the youth federation.

Terrorist suspect dies as UK raids net explosives

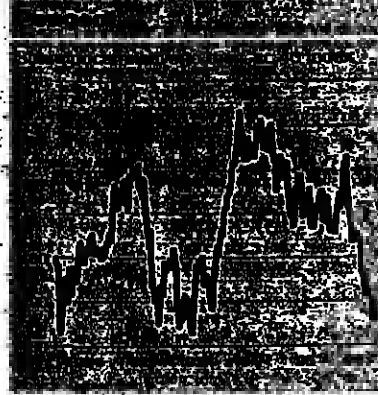
By Clay Harris and John Kampfer in London

A suspected IRA terrorist was shot dead and five others arrested yesterday as British police staged early morning raids on several premises in the London area.

THE LEX COLUMN Sense and stability

Does Europe really need a fiscal "stability pact" to keep monetary union on the rails? After all, monetary union in the US seems to have no difficulty surviving New York's occasional testings on the edge of bankruptcy.

FT-SE Eurotrack 200: 1750.67 (-14.36)



The comparison, of course, is not exact. A country's ballooning budget deficit would pose greater inflationary risks for the euro than any state or city deficit in the US, simply because of its size. Moreover, there is also a bigger risk in Europe that high-spending countries could press the central bank to inflate them out of a deficit problem.

half of the year, while Renault's almost disappeared.

Still, Peugeot's second six months should be better. The company expects lower interest costs and positive currency movements to boost profits. And chairman Mr Jacques Calvet expressed hopes yesterday that the government may unexpectedly launch yet another round of incentives to sustain momentum.

probably adding \$36m (\$56m) to this year's profits. But growth will be harder to find thereafter. The demerger of Incheape's Bain Hogg insurance arm and a likely £300m sale of its testing business will increase focus and reduce debt - but at the expense of earnings.

Capital gains tax

It is excellent news that the Confederation of British Industry is tipping back from its previous enthusiasm for a two-tier capital gains tax. Let us hope the opposition Labour party follows suit.

Fischler attacks UK for scrapping cattle cull deal

By Caroline Southey in Killybegs

The British government was yesterday accused of blocking European Union efforts to restore confidence in the beef market by abandoning the terms of a deal struck with its EU partners over BSE.

cow disease was the "biggest crisis the EU had ever had". Britain's decision to ditch plans to cull 125,000 cattle was a "clear break" with the agreement reached in Florence in June for dealing with BSE, and every step away from the accord was "a step away from restoring confidence".

affair dominating next week's summit of EU heads of government in Dublin. The summit has been called by the Irish presidency in an effort to breathe new life into the inter-governmental conference on the future of the union.

Peugeot

French carmakers must think life is deeply unfair. Their government's incentive scheme has made France one of the brighter spots in a sluggish European car market.

Inchcape

Inchcape produced a compelling justification yesterday for the recent change of its top management and strategic direction. First-half profits before exceptional items fell only 1 per cent. Still, without the cost savings from last year's restructuring, the decline would have been 21 per cent.

Yeltsin

Continued from Page 1

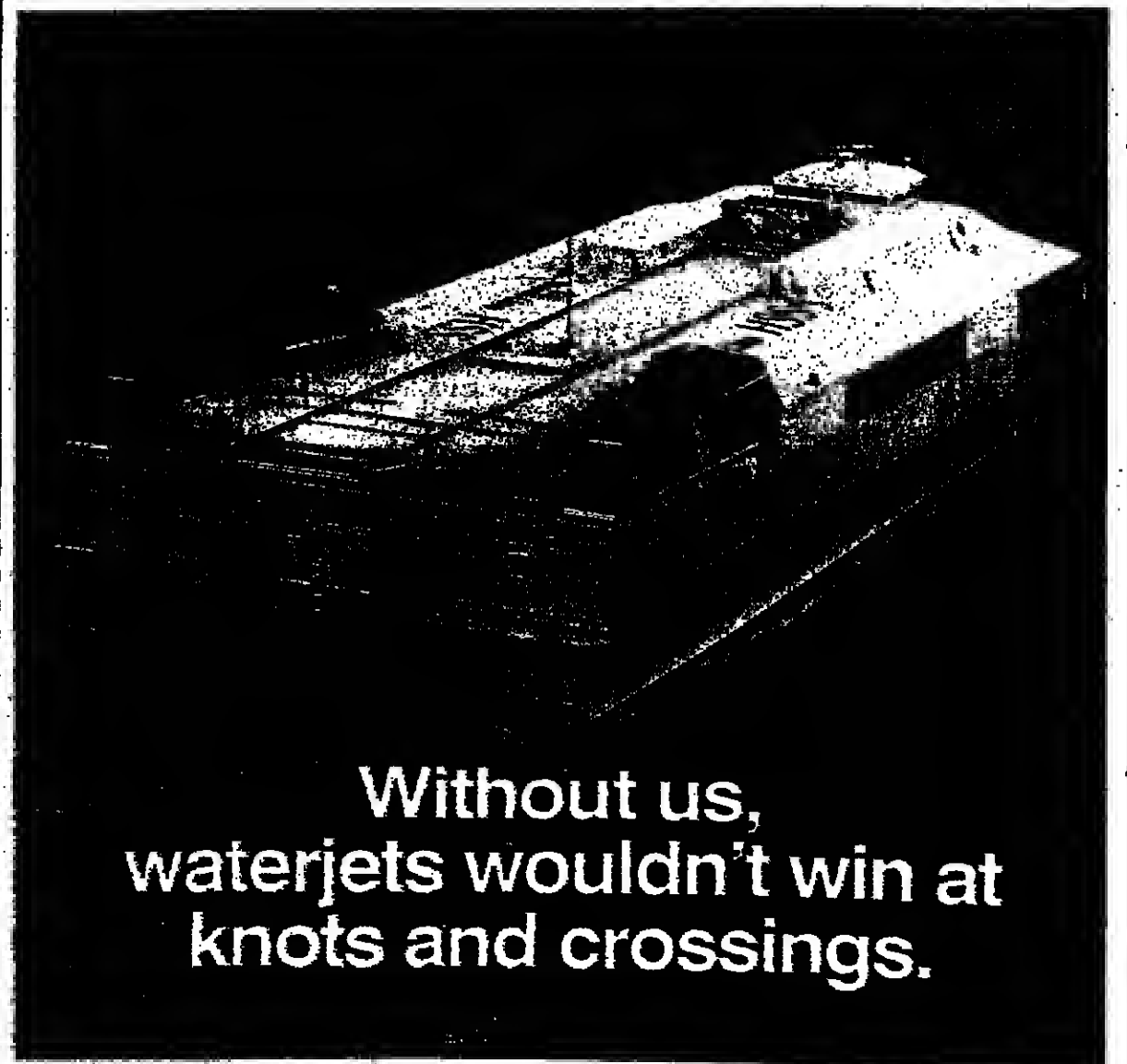
televised announcement earlier this month that he requires heart surgery. But Communist leaders yesterday said the public relations offensive had also revealed that during the country's crucial presidential face-off this summer Mr Yeltsin and his entourage had deceived Russian voters.

French unions call strike

Continued from Page 1

social security reforms and an industrial dispute on the railways for discontent to harden into all-out stoppages in November and December. The government believes civil servants alone will not spark a similar crisis this autumn.

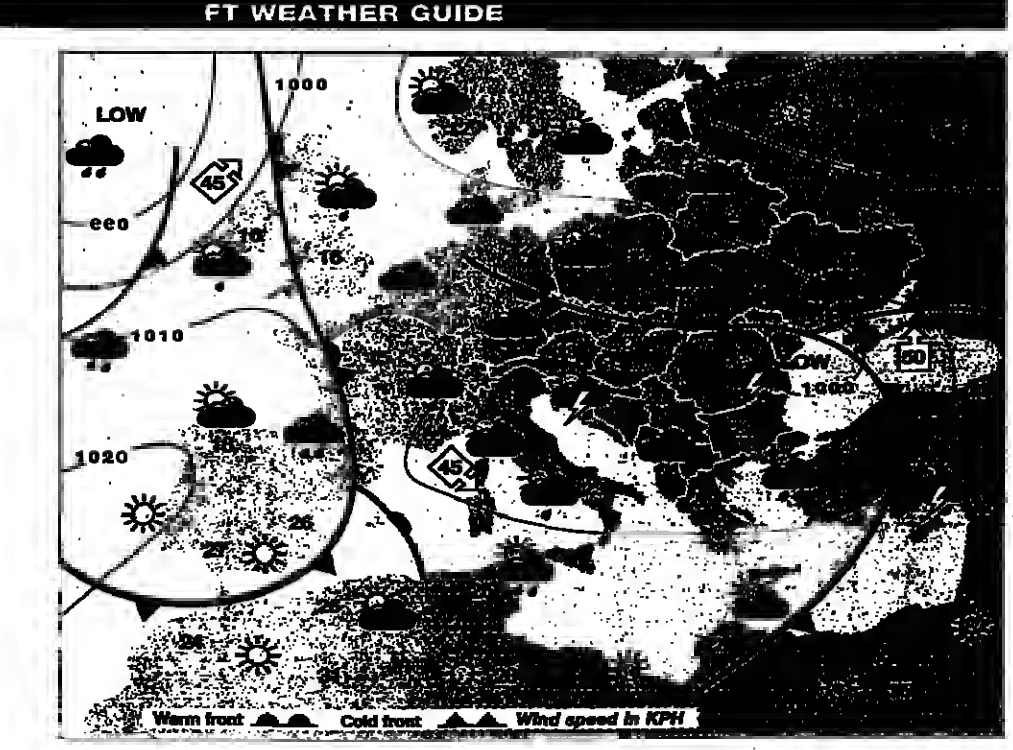
measures detailed in last week's budget, except for yesterday's announcement that tax on alcohol would rise 17 per cent in 1997.



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Europe today

The British Isles and France will be cloudy with rain. Ireland will have rain later in the day. The Benelux will be cloudy, with some drizzle in Belgium. The Czech Republic, Slovakia and Hungary will also be rainy.



TODAY'S TEMPERATURES

Table with columns for location and temperature. Locations include Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, B. Aires, Bham, Bangkok, Barcelona, Beijing, Belfast, Belgrade, Berlin, Bermuda, Bogota, Bombay, Brussels, Budapest, Chicago, Cairo, Cape Town, Caracas, Cardiff, Cebu, Copenhagen, Chicago, Cologne, Dakar, Dallas, Delhi, Dubai, Dublin, Edinburgh, Faro, Frankfurt, Geneva, Gibraltar, Glasgow, Hamburg, Helsinki, Hong Kong, Honolulu, Istanbul, Jakarta, Jersey, Jorachi, Kuwait, L. Angeles, Las Palmas, Lima, Lisbon, London, Luxembourg, Lyon, Madeira, Madrid, Manila, Melbourne, Mexico City, Miami, Milan, Montreal, Moscow, Munich, Nairobi, Naples, Nassau, New York, Nice, Niissa, Oslo, Paris, Perth, Prague, Rangoon, Reykjavik, Rio, Rome, S. Frasco, Seoul, Singapore, Stockholm, Taipei, Strasbourg, Sydney, Tangier, Tel Aviv, Tokyo, Toronto, Vancouver, Varadero, Vienna, Warsaw, Washington, Wellington, Wenzhou, Zurich.

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